

# **PATHWAYS TO POWER**

**Liberal Candidates  
and Speakers Handbook**

Liberal Research Department

Price: £1.50

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Liberal Candidates and Speakers Handbook

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## NOTES AND ACKNOWLEDGEMENTS

This is a revised and updated version of the Candidates and Speakers' Handbook which was produced for the February 1974 General Election.

The text was substantially written in early 1974 and provides a comprehensive digest of Liberal Policy and a review of Parliament from June 1970 to July 1974. To the original chapters has been added an introduction outlining the current political situation and a new first chapter reviewing the performance of the Labour minority government and the Liberal and Conservative Parties in opposition, since March 1974.

As far as possible the policies and strategies outlined below reflect the work of the Party's advisory panels, the decisions of Liberal Assemblies and the considered statements of our Parliamentary spokesmen.

The Handbook was compiled in the Liberal Party's Research Division and I wish to express my deep gratitude to all my colleagues who shared with me the task of writing it and who gave up their spare time in order to complete the work on schedule. In particular I should like to thank Jane Skerrett, Stephanie Price and Stephen Abel for their invaluable work in collating the information, and Judith Richardson and Catherine Syme who typed the Handbook.

Anthony Richards  
Director of Research  
August 1974.



## INTRODUCTION

### The Current Situation

This handbook is being produced at a time of great political uncertainty. It seems highly probable that there will be a General Election within the next six months but such is the state of the opinion polls that it seems equally probable that no party will emerge from it with an overall majority of seats in Parliament. The role played by the Liberal Party in the current situation and its strategy and performance at the election may thus hold the key to political developments in the near future and the formation of the next administration.

### The Economic Crisis

This pre-election period is also one of economic crisis and uncertainty—a fact which all three major party leaders have acknowledged in their speeches.

The problem is two-dimensional; at present we are experiencing a period of 'stagflation'—a combination of economic recession and high inflation. Abroad the rapid escalation of world commodity prices coupled with recurrent international monetary crises has resulted in balance of payments deficits for almost the entire Western World.

For Britain the crisis is particularly acute. Between 1970 and 1974 prices in the U.S.A. rose by 20 per cent, in France by 26 per cent but in Britain by a staggering 37 per cent. Our balance of payments is currently in deficit to the tune of £4,000 million annually. Unemployment is on the way up once more at well over  $\frac{1}{2}$  million and the economy is stagnant and likely to remain so for the next 2-3 years. The overall rate of inflation is between 15-20 per cent per annum and rising. The *New Statesman* summed up the situation thus, in a leader on 5th July 1974: 'Managers of the economy are judged by their performance on growth, unemployment, inflation, the balance of payments. All of these are going badly.'

With other Western countries facing similar, though lesser crises, the dangers of world protectionism and domestic instability are real and require positive and immediate action if they are to be averted. So far there is no indication that the necessary international co-operation and internal reduction will be forthcoming. It is the task of government firstly to communicate the unpalatable truths of our situation to a public fast becoming increasingly cynical of politicians and secondly to isolate and deal with those elements in our domestic situation over which we have some control in order to mitigate the effects of explosive inflation and economic recession. As Jeremy Thorpe has said: 'It is time for Britain to wake up and to realise that only a total change of course in our politics, our economy and our national aspirations can save us from disaster.'

(*Speech to Press Association, 12th June 1974.*)

### Political Crisis

But before any government can begin to come to grips with the economic situation it must regain the confidence of the electorate which has been

steadily eroded over the last twenty years. The fundamental cause of public apathy and cynicism has been the two-party system, or more accurately the crisis of inconsistent government which the system has engendered. The great majority of the electorate cannot remember a time when the Conservative and Labour parties did not alternate in office. For many people, there seems little difference which ever of the two parties is governing. Both parties have had to deal with broadly similar problems; both have offered similar solutions; both, in opposition, have opposed the policies of their opponents and then adopted them on becoming the Government only to reject them on once again becoming the opposition. The list of Tory and Labour U-turns needs no repetition here; Prices and Incomes Control, Industrial Relations Legislation and entry into the European Economic Community being three notorious examples.

It seems axiomatic that a country cannot be governed effectively when parties continuously change their policies and principles to make cheap political gains without regard for their own principles or for public opinion. We are fond of assuming fundamental and irreconcilable differences between the Conservative and Labour Parties. Yet when they do disagree, their differences stem not from some substantial issue of principle but from a pre-conceived ideological or dogmatic stance which has no practical justification.

In fact the two parties have one overriding similarity and it is this factor above all other differences of dogma or policy which makes their performances in government so inept. The common factor between the two is simply that they are both class-based parties. This class orientation permeates every aspect of their philosophy, policy and organization and it is this above all which is responsible for the partisan nature of British politics which has so polarised the nation in recent years into confrontation between classes, whether they be rich or poor, manager or worker, house owner or tenant.

Whilst in other Western democracies political parties have evolved or developed to take account of changes in the social fabric of the countries concerned the anachronism of class has continued to govern political allegiance in Britain. Thus as Christopher Mayhew put it; 'just as sectarian political parties, like those in Northern Ireland, increase sectarian divisions, class Parties increase sectarian class divisions.' (*Statement 9th July 1974.*) In terms of government the class-based, two-party system has resulted in extremism and partisanship. All the major policy crises can be attributed in some part, to the albatross of class and sectional interests which have so inhibited the functions of Conservative and Labour Parties in office. Thus it was that the Labour Party, dependent on the Trade Unions for 90 per cent of its election funds, abandoned 'In Place of Strife' in June 1969 and statutory wage control in February 1974. Similarly, the Conservative Party, dependent on big business for over a million pounds per year, succumbed to the pressure of industry to legislate against the trade unions in June 1970 and refused to take effective action against inflation until faced with nearly a million unemployed in February 1972.

It is self-evident that no policy will achieve any lasting progress without national acceptance and the consent of a large majority of the electorate. Since the war neither of the other two parties has won the support of over 50 per cent of the electorate and neither is capable of unifying the nation because each is incapable of appealing to any significant part of the other's constituency.

This country can no longer be ruled from the extremes of right and left which set people against each other; it must be run by a government whose

neutrality is unquestioned, whose policies are fair minded and whose politics are not governed by vested interests. It is a unique characteristic of the Liberal Party that it can provide such a government because it is without doctrinaire prejudices, class inhibitions or sectional interests.

## **THE LIBERAL ALTERNATIVE**

The basic principal of Liberalism is a concern for the individual. We do not think in terms of bosses or masses or classes. We start with the individual men and women who make up these vast conglomerations of people.

Concern for the individual led Liberals in the past century under Gladstone to be the foremost champions of individual rights, including, above all, the democratic right to the vote.

Liberals came to realise, however, that political rights by themselves were not enough. Freedom from oppression had to be matched by freedom from want. Thus it was that the foundations of the welfare society in Britain were laid by a Liberal Government. The Liberal commitment to redistributive policies in favour of the poor established by Asquith and Lloyd George and developed by Beveridge has continued today.

Under the influence of Keynes and others, Liberals accepted the need for a state planning within which genuinely free private enterprise can operate.

The great issue facing all nations in this century is how to combine the collective activity of the state, necessary for the welfare of the people, with democratic freedoms and an opportunity for individual initiative in economic enterprise.

The Liberal Party's great claim is that it approaches this problem with no doctrinaire prejudices, no class inhibitions and no sectional interest.

Further, the Liberal Party is aware of the danger that in all spheres, individual men and women may feel themselves prevented from participating in decisions which affect their daily lives. Democracy must mean more than a merely formal genuflection in the direction of the electors at election time. Participation must be offered as the antidote to apathy and alienation. That the people, themselves, should control their environment is the aim of 'community politics' as presented by Liberals.

The interlinked themes of redistribution, partnership, devolution, decentralisation and participation permeate all the policies set out in this handbook.

We seek to redistribute so that all may own and so that none may be impoverished. We seek to create an individual partnership between capital and labour. We seek to devolve power to Scotland, Wales and the regions of England. We seek to decentralise by ensuring that every act of government is carried out at the lowest possible level consistent with intelligent administration, with the civil service dispersed as far as possible to serve at regional level.

Through participation we want to see ordinary men and women having a say in all that goes on around them. We want to see them fully consulted in all that happens. We want to help them to exercise their democratic rights, but we do not believe that any group should seek to prevent by force or illegal means any other from doing what they are legally entitled to do.

We seek also, as we make clear at the beginning, to secure a satisfactory balance between state power and individual initiative. And just as we seek to break down concentrations of political power, we seek in the same way to break down monopolistic concentrations of economic power or to subject them to strict control.

In the world sphere we are essentially internationalist. We oppose narrow, self-interested policies whether followed by nations or blocs. We welcome the opportunity to transform the European Economic Community into a Liberal, outward-looking federation of free people with sovereignty pooled in respect of certain vital central political and economic tasks but with equally clearly defined powers and responsibilities for the constituent states and regions. And part of the process of decentralisation is to see the regions enjoy a balanced prosperity and those less developed are assisted to this end. We see the European Community forging new links with the underdeveloped world in trade and aid to help restore the balance between 'Have' and 'Have-not' nations.

All these themes have one end. To serve the individual and to create the condition in which he can develop his personality to the full.

# 1 THE SHORT PARLIAMENT

- a The February election. Result.
- b The coalition discussions.
- c The minority Labour Government.
- d The Conservatives in Opposition.
- e The Liberal role.
- f Strategy for the next election.

## a THE FEBRUARY 1974 ELECTION

When Mr. Heath called the Election on 7th February 1974 he still had seventeen months to go before he needed to appeal to the country and enjoyed an overall majority of 16 in the House of Commons. The election took place in unprecedented circumstances of industrial chaos in which the Conservative Government had succeeded in provoking a total confrontation with the miners and reduced industry to a three-day week. Consequently Mr. Heath decided that his only way out was to call an election. In the event, the gamble failed and he lost 34 seats at the polls.

The result of the General Election on 28th February left no party with an overall majority in Parliament. In spite of Conservative attempts to portray the election as a confrontation between the Government and the unions using the scare slogan of 'who governs?' as a weapon to secure re-election, the electorate refused to disregard the disastrous economic record of the Conservative Government. But neither was the electorate prepared to give Labour a clear mandate for wholesale nationalisation.

A resurgent Liberal Party secured its highest share of the poll for 45 years and six million votes, whilst the Scottish and Welsh Nationalists also made significant gains. In Ulster the rebel Unionists opposed to the power-sharing executive of Mr. Brian Faulkner and the Sunningdale Agreement, took eleven out of the twelve seats. As a result of the General Election, party representation in the House of Commons was as follows:

Party	Seats	Vote	% Vote
Labour	301*	11 million	37.2
Conservative	296	12 million	38.1
Liberal	14*	6 million	19.3
Speaker	1		
Others:	23		
United Ulster Unionists	11		
Scottish Nationalists	7		
Plaid Cymru	2		
Independent Labour	1		
S.D.L.P.	1		
Social Democracy	1		

\*Liberal representation was increased to 15 and Labour's consequently reduced to 300 as a result of Mr. Mayhew's decision to join the Liberal Party on 9th July 1974.

Clearly no combination of two of the three major parties could have ensured an overall majority in the House of Commons. Neither were the fourteen Liberal M.P.'s sufficient to hold the balance of power between the Conservative and Labour Parties.

## **b THE CONSERVATIVE OFFER OF COALITION**

Although Labour had returned more Members to the House of Commons, the Conservative Party had received more votes. For this reason Mr. Heath did not immediately resign but invited Mr. Thorpe to discuss the possibility of forming a Conservative/Liberal coalition. Thus Mr. Thorpe went to Downing Street on Saturday, 2nd March 1974. He did so for three reasons:—

First, regardless of political differences, when the Prime Minister invites an Opposition leader to discuss the future government of the country, then it is his duty for the nation's sake to respond.

Secondly, because there was no obvious result to the election a number of alternatives had to be discussed. Any protracted delay in examining these possibilities prior to the formation of a new government would have done irreparable damage to our economy.

Thirdly, because Mr. Thorpe had already said that, in the event of no party winning a majority of seats at the election, '... all three parties have got to do a lot of hard thinking to see whether there is an agreed policy on which they could co-operate' (B.B.C. Television interview, 12th February 1974), he felt obliged to respond to Mr. Heath's initiative.

The Labour leader Mr. Wilson had ruled out any possibility of his party co-operating with any other party during the election, and refused to discuss the situation with either Mr. Heath or Mr. Thorpe. Nevertheless, Mr. Thorpe suggested to Mr. Heath that he should call a meeting of all three party leaders in a letter to the Conservative leader on Monday, 4th March. Mr. Heath refused to consider this, citing Mr. Wilson's election statements as proof of his unwillingness to co-operate. In the same letter Mr. Thorpe turned down the offer of a Conservative/Liberal coalition. The reasons for this decision were set out in a letter which he later wrote to Liberal candidates:

- 1 A Liberal/Conservative alliance would not have had a majority in Parliament.

Contrary to Mr. Heath's assertions he had not contacted the eleven Ulster Unionists whose election was on the basis of implacable hostility to the Conservative Government's Ulster policy, and particularly the Sunningdale Agreement. The subsequent voting patterns of both the Ulster Unionists and the Scottish and Welsh Nationalists, who were the only other group large enough to be able to provide a majority for such a coalition, shows their basic antipathy towards the Conservative Party.

- 2 A Liberal/Conservative alliance would not have been a coalition in any meaningful sense.

The fourteen Liberal M.P.'s would have been swamped by 296 Conservatives, outvoted in Cabinet and their independence and influence diminished. To all intents and purposes the 'coalition' would simply have been a Conservative Government by another name.

As Mr. Thorpe said: 'The six million people who voted Liberal did not do so in order to keep Mr. Heath in power. . . . The Tories have suggested that there was an 18 million anti-socialist vote. But equally there was a 19 million anti-Heath vote'. (*Letter to candidates, 2nd July 1974.*)

- 3 There was not sufficient agreement on a common programme. This was the most important consideration.

It is true that Liberals and some Conservatives share certain common policies. There are also shared policies between Liberals and certain members of the Labour Party. Mr. Heath and Mr. Thorpe discussed four major areas of policy during their talks and Mr. Heath later suggested that there was sufficient agreement on these policies to justify a coalition. In his letter to candidates Mr. Thorpe refuted this argument, dealing with each area in turn :—

i *Opposition to mass nationalisation*

It is true that Conservatives and Liberals share a common opposition to Labour's proposals for mass nationalisation. But, as Mr. Thorpe pointed out:

'Liberals are not satisfied with a negative prohibition. We believe that private industry should be made far more competitive and more humane through tougher monopoly legislation, by a programme of co-ownership and worker participation which would transform the face of capitalism. On this dead silence from the Tories! Not even their promised Green Paper materialised.'

ii *On the need for prices and incomes restraint.*

As Mr. Thorpe pointed out the Conservative Party's conversion to the need for a statutory prices and incomes policy was a pragmatic and recent development and one borne of bitter failure:

'For three years we pressed the Tories to introduce a Prices and Incomes Policy. For three years we met with a stone wall. When at last they saw the error of their ways we voted for Phase One and Phase Two but voted against Phase Three since it was a recipe for inflation. Even Mr. Wilson, or to take a more objective test, the triggered off threshold agreements, have proved our point. It has taken Mr. Heath three months to agree that the Industrial Relations Act is no longer a Tory virility symbol, but at the time of our talks no alternative was suggested to replace the disastrous policy of stubbornness and confrontation, which had just ensured his defeat.'

iii *On the need to remain members of the European Community.*

Agreed—although as Mr. Thorpe pointed out it is not enough to agree on a principle one must also agree on means by which it can be implemented, i.e. what kind of Europe should we be working for in the future? In this respect there is very little ostensible common ground between Liberals and Conservatives:

'Mr. Heath, with his opposition to elections to the European Parliament, was always to be regarded by Liberals as one of the best Gaullists we had.'

iv *On Electoral Reform.*

On this there was little or no agreement:

'As the correspondence shows, this was a subject raised by me on which Mr. Heath, apparently unaware of the grievance felt by six million people who ended up with only 14 M.P.'s, had to go back to consult colleagues. The result: a Speaker's Conference with a Tory Party honestly admitting that they had not really studied the question, had no views, and would abide by the majority recommendations of the Conference.'

Since successive Conservative and Labour M.P.s at successive Speaker's Conferences have expressed unqualified enthusiasm for the present electoral system this could hardly be regarded as a very significant offer. As



recently as 1967 Eric Lubbock (now Lord Avebury) was in a minority of one in advocating a change in the system.

The talks ended with Mr. Thorpe's letter to Mr. Heath saying that he saw no grounds for a coalition and in this decision he had the unanimous support of all his Parliamentary colleagues. The response from Liberal activists and from the country at large indicated overwhelming approval of this decision.

Mr. Thorpe did, however, offer two alternative solutions to the electoral deadlock. Firstly, he offered both Conservative and Labour leaders his co-operation in forming an all-party government of National Unity. As an alternative he offered to give specific Liberal support from the Opposition benches for an 'agreed package of proposals in the national interest'.

Both suggestions involved a degree of co-operation with other parties which Mr. Thorpe had promised at the General Election. In the event neither Mr. Heath nor Mr. Wilson reciprocated this offer, Mr. Heath preferring to resign, and Mr. Wilson preferring to form a minority Labour Government without consultation.

## **c THE MINORITY LABOUR GOVERNMENT**

or co-operation with other parties

### **i *An illusion of unity***

Labour took office on 4th March with a majority over the Conservative Opposition in Parliament of 5 seats (soon reduced to four by Mr. Mayhew's departure), and in practice the Government was also being consistently supported by the Independent Labour M.P. Mr. Edward Milne (Blyth) and the S.D.L.P. leader Mr. Gerry Fitt (Belfast West). With a working tally of 302 seats, the Labour Government was still 16 votes short of an overall majority. In this situation the strains between the 'left' and the 'right' wings of the parliamentary party were particularly marked. In the event, circumstances, plus Mr. Wilson's natural ability to paper over the cracks of division, produced an illusion of unity marred only by the outcry which greeted Mr. Jenkins' appeal for moderation in a speech at Haverfordwest on 26th July 1974, and the bitterness which accompanied Mr. Mayhew's announcement that he was leaving the Labour Party to join the Liberals on 9th July 1974. Mr. Mayhew gave his reasons for leaving as follows:

'I have for some years been very concerned at the way the Labour Party has been developing, in particular it has become too vulnerable to the extreme left and too dependent on the Unions. Time and again in the past, moderate Members, including myself, have tried to change this and to broaden the basis of the Party but with declining success, especially since Hugh Gaitskell's death. I can now no longer feel genuinely convinced that a clear Labour majority at the next Election would be in the country's best interests.'

*(Statement, 9th July 1974.)*

The Labour Party remains a party of deep inner conflict which was as potent a constraint on its own effectiveness as its position as a minority government during this period. As John Pardoe has said:

'The main obstacle to progress has been the political shape of the Labour Party. It is not so much a party, more a battleground on which Social Democrats confront Marxists. The result of Labour's internal feuding has been inertia. Labour has not been a radical force for change because it has been bogged down in its own contradictions.'

*(Speech: Newbury, 12th July 1974.)*

## ii *The Labour Cabinet*

Mr. Wilson's choice of Ministers portrayed these contradictions at work. It was a consummate piece of political acrobatics with a left-winger being balanced by a right-winger and a pro-European by an anti-European. In the Cabinet, however, there is no doubt that the socialist anti-European lobby outnumbered the pro-European moderates, and left-wingers were chosen to handle the immediate key issues of the day. Mr. Michael Foot at the Department of Employment, Mr. Wedgewood Benn at the Department of Industry, Mrs. Barbara Castle as Secretary of State for the Social Services and Mr. Denis Healey as Chancellor of the Exchequer, are all regarded as keen socialists.

## iii *The Queen's Speech*

The first indications of Labour's intentions were given in the Queen's Speech. Despite its veiled and general tone it was clear from this document that Labour intended to press ahead with at least some of its more contentious Manifesto proposals; in particular the following:

- Fundamental renegotiation of the terms of entry to the European Economic Community. . . 'After these negotiations have been completed, the results will be put to the British people.'
- Food subsidies.
- Public ownership of development land.
- Dismantling of pay controls and a return to a 'voluntary' wages policy.
- Repeal of the Industrial Relations and Housing Finance Acts.
- Proposals for nationwide comprehensive education.
- Reappraisal of major development projects such as Concorde, Maplin and the Channel Tunnel.

In addition guarded references were made to possible cuts in defence expenditure, municipalisation of furnished lettings and further extensive nationalisation of industry.

It was quite obvious that the speech was framed in such a way as to avoid defeat in the House of Commons debate and to satisfy both wings of the parliamentary Labour Party. In the event both aims were achieved. The Queen's Speech was approved without a division because the Conservative Party, having tabled an amendment regretting the absence of proposals to maintain pay controls until an alternative policy had been evolved, withdrew its amendment on the strength of specious undertakings by Mr. Foot and declined to support a similar Liberal amendment which the Liberals pressed to a vote.

During the debate Mr. Robert Carr, Shadow Chancellor, explained his party's view in these terms:

'We press the amendment on the Government because we believe that it is essential in the national interest to maintain the present policy unless—and until—another one has been worked out and also because we believe that is the clear opinion expressed by a substantial majority of the electorate at the election.'

(*Hansard, March 18th, vol. 870, col. 687.*)

In reply Michael Foot called the whole apparatus of the statutory control of incomes 'a cancerous constitutional growth' but went on to say, 'until we can repeal the legislation the pay board will have a continuing statutory duty to enforce the pay code'. This was no assurance at all and if Mr. Carr needed any more convincing of what would happen when the pay code

was abolished, he had only to heed the words of leading trade unionists. In a television interview at this time the T.U.C. General Secretary, Mr. Len Murray, said that he didn't know what was meant by 'The Social Contract'—Labour's alternative to statutory wage control. On the same programme Mr. Hugh Scanlon, President of the Amalgamated Union of Engineering Workers, said, 'Our union's policy is quite clear. We are against an incomes policy, whether it be voluntary or whether it be statutory.' Despite all this the Conservatives refused to press their amendment and abstained in the vote on the Liberal amendment which was lost by 297 votes to 23, nine Nationalists voting with the Liberals. For specific details of the debate see 'The Conservatives in Opposition' (page 9).

#### iv *Major Debates—February/July 1974*

Most of the specific proposals contained in the Queen's Speech have been, or are, in the process of being carried out. Exceptions to the above list which still await Government legislation are:

- The repeal of the Housing Finance Act.
- Municipalisation of furnished accommodation.
- Public ownership of development land.
- Mass nationalisation. The nationalisation of the Shipbuilding and Marine Engineering industries was announced on 31st July 1974 and a White Paper was published on 14th August but no legislation was passed in this session.

Particular measures are examined in detail in the appropriate policy chapters in this handbook and an account of Liberal initiatives during the passage of each Bill appears in chapter 18, The Liberal Party. However, a summary of the most important debates from a political point of view is included here as a guide to roles played by each party in Parliament.

#### **The Rate Support Grant Order—25th March 1974**

A contentious debate followed the Government's decision to redistribute the domestic element in the Rate Support Grant in favour of the heavily populated urban areas with the result that in many rural areas rates were increased by up to 65 per cent. Shadow Minister for Housing and Local Government, Mrs. Margaret Thatcher, said in the debate:

'We claim Mr. Crosland has abandoned equity and substituted an arbitrary decision . . . he has abandoned any semblance of justice in what he is doing.'

*(Hansard, vol. 871, col. 60.)*

For the Liberals Mr. Stephen Ross said:

'Unless he (Mr. Crosland) can give a firm undertaking that further relief will be forthcoming we shall have to vote against the order.'

*(Hansard, vol. 871, col. 97.)*

No relief was announced and the Liberals thus opposed the order. However, the Government had a majority of 75 in the subsequent division, 90 Conservatives being absent, including the one-time Secretary of State for the Environment, Mr. Peter Walker. Subsequently, the Government announced, in its July Budget, an immediate relief for those domestic ratepayers whose rates go up by more than 20 per cent in 1974, which is equivalent to 60 per cent of the excess over 20 per cent. It also announced an increase of the needs allowance, which is used for calculating rent and rate rebates. These measures were a consequence of continuous pressure by Liberals and were welcomed by them

## The Prices Act

The Bill, which was opposed on both second and third readings by the Liberals, introduced provisions for voluntary agreement between Government and retailers on the prices of basic household items and for a system of unit pricing and price marking. However, the main provisions were for the expenditure of £700 million on food subsidies and for the abolition of the Pay Board at some future date, both of which Liberals have consistently opposed.

The Conservative spokesman, Mr. Paul Channon, said:

'The Government's policy is a charade. It will not reduce prices. I believe that the country has already seen through that charade.'

*(Hansard, 9th April, vol. 872, col. 292.)*

When it came to the division, however, the Conservative Party, almost to a man, abstained.

Two hundred and seventeen voted for Labour, 14 against. Again a full turnout of Conservatives could have prevented the passage of this extravagant and ill-conceived legislation.

On 12th June the hypocrisy of Mr. Channon and his colleagues was even more evident on the third reading of the Prices Bill. Challenged by Jo Grimond to vote against the Bill in view of his devastating criticisms of the Government proposals, Mr. Channon replied: 'There may be some marginal benefits in the Bill and I do not wish to oppose it.' However he then went on to say:

'The Bill will achieve little and the voluntary agreement will achieve little. The Bill is designed to confuse and muddle. It will have no effect on prices or upon items which had been promoted in the shops for many months past . . . I believe it will achieve very little for the consumer.'

*(Hansard, 12th June, vol. 874, col. 1,748.)*

However, in the vote the Government had a massive majority of 189. Thirteen Liberals voted against and only nine Conservatives.

## Extension of V.A.T. Order—30th May 1974

This order enacted Mr. Healey's announcement in his March Budget that V.A.T. would be extended to confectionery, crisps and petrol. In the case of the latter this was a direct contradiction of Labour's election promise to reduce the tax on petrol in order to stabilise rising transport costs.

Speaking at Cambridge Mr. Wilson had said:

'The Government should do all in its power to stabilise oil prices by corresponding reductions in taxation.'

*(Speech, 20th October 1973.)*

Mr. Terence Higgins, a Shadow Treasury spokesman, said in the debate:

'We believe that the order is a mistake . . . it will have a regressive effect on many families. It will tend to raise industrial costs. . . . We believe it is inflationary. . . . For these reasons the Opposition cannot support it.'

*(Hansard, 30th April, col. 1,059.)*

David Steel expressed Liberal concern at the effects of the order on rural areas;

'Until the Government recognise that in such circumstances the cost of running a private car is an unavoidable cost and is not a luxury, my Hon. friends and I will continue to oppose tax increases of this kind.'

*(Hansard, 30th April, col. 1,068.)*

In the subsequent division 48 Conservatives did not vote and the Government had a majority of 13.

## **The Trade Union and Labour Relations Act**

This Act repealed virtually all the legal provisions of the Industrial Relations Act although comprehensive amendments ensured the retention of some of the industrial framework of the 1971 Act. Chapter 8 on Industrial Relations deals fully with the provisions and amendments of the new Act.

During the Election the Conservative Party, under extreme pressure, had promised to amend the 1971 Act after consultation. The Shadow Employment spokesman, Mr. William Whitelaw, reaffirmed this commitment but said of the new legislation . . . 'the Bill will be bad for the nation, bad for human relations and industry and, in the long run, bad for the trade unions themselves.'

*(Hansard, 7th May 1974, col. 256.)*

Mr. Cyril Smith for the Liberals indicated his support for the measure: 'My colleagues and I take the same view now that was taken in 1971. We then believed that a framework of legislation for industrial relations was necessary. However as the Industrial Relations Act emerged we could not support its framework. For the same reason I and my colleagues will be supporting this Bill . . . (which) is merely righting a wrong.'

In the subsequent division the Liberals supported the Government, the Conservatives, however, opposed the Bill. Nevertheless 33 Conservatives were absent. Thanks to Liberal support the Government had a majority of 35. A number of Conservative and Liberal amendments to the Bill were passed in the Committee and Report stages to strengthen the rights of the individual in his relations with the unions, and the Bill was given an unopposed Third Reading on 30th July 1974.

## **Agricultural Debate—8th May 1974**

This debate on a formal motion to adjourn, was noticeable for Conservative vehemence in speeches but absenteeism in the Lobby. The Shadow Agriculture spokesman accused the Government of 'irresponsible recklessness'.

'In our view . . . (Mr. Peart) is playing fast and loose with the nation's food supply.'

*(Hansard, vol. 873, col. 407.)*

For the Liberals Emlyn Hooson asked for concrete guarantees from the Government to take action on the impending agriculture crisis . . .

'the previous Tory administration brought the livestock industry of this country to the brink of disaster. The problem that the Ministry and his Government have to face is whether they are prepared to preside over that disaster.'

*(Hansard, vol. 873, col. 431.)*

No such guarantees were forthcoming and the Liberals joined the Conservatives in opposing the Government's policies. In the division the Government had a majority of 11, mainly due to the absence of 47 Conservatives, including the previous Minister of Agriculture, Mr. James Prior.

## **The Finance Act**

Both Conservative and Liberal spokesmen deplored the lack of measures in the Budget to tackle the problem of inflation. Mr. Robert Carr, the Shadow Chancellor, said in the debate on the second Reading of the Bill:

'Here we have a Budget in which one of the direct effects—incredibly at this time—is to put up the cost of living in total.'

*(Hansard, 9th May 1974, col. 626.)*

John Pardoe, Liberal Economics spokesman, proposed an amendment declining to give a Second Reading 'To a Finance Bill which does nothing to

stop the rate of inflation rising to a level which is a danger to democracy, fails to protect those on lower incomes who suffer most from inflation and yet increases the danger of an unacceptable level of unemployment'.

Mr. Pardoe made it clear that there were many provisions in the Budget which he welcomed but said:

'It is on the central issue of the Chancellor's judgement, and as an attack on inflation that we shall be dividing the House on our amendment.'

*(Hansard, 9th May 1974, col. 659.)*

As a result all 14 Liberals voted against the Government. Once again, however, the Conservative Party declined to act on its words and abstained; the Government thus had a majority of 166.

Many amendments were passed to the Finance Bill, the most important of which are dealt with in chapters 2 and 3 on Economic Policy. The Finance Bill was given an unopposed Third Reading in common with usual practice on 29th July 1974.

### **The £10 million Tax Refund to the Unions, 19th June 1974**

This debate rose out of an amendment to the Finance Bill permitting the Government to retrospectively repay £10 million to certain unions in lieu of tax concessions on their provident funds lost by their refusal to register as Charitable Organisations under the 1971 Industrial Relations Act.

Speaking in the debate the Rt. Hon. Jeremy Thorpe made it clear that Liberal opposition to the refund was based on its abhorrence of retrospective legislation of any kind. He emphasised that it was right to extend tax relief to provident funds which he appreciated were used for the benefit and welfare of union members. In his view the question at issue turned on whether there was any alternative to registration whereby the benefits of tax relief could still be enjoyed. In his view there was the alternative of 'hiving off' the funds into other accounts which were tax free such as charitable funds with trustees, covenants; the purchase of annuities and the transfer of funds to friendly societies to obtain the benefits of the Friendly Societies Act.

'A case for retrospectivity is not made out because something is difficult and complicated. It may be made out if something is impossible. But no evidence has been given of any union being faced with an impossible situation in the hiving off operation'.

*(Hansard, vol. 875, col. 521.)*

The Liberal Party thus opposed the retrospective repayment and the Government was defeated by 308 votes to 299, the Conservative Party also opposing the amendment. When a new clause was later introduced repealing that section of the 1971 Act which excludes the provident funds of non-registering unions from tax relief, the Liberals supported the Government because no element of retrospection was involved.

## **d THE CONSERVATIVES IN OPPOSITION**

In analysing the role played by the Conservative Opposition, the period falls neatly into two phases:

### ***Phase 1: Paper Tigers***

From February until the middle of June, when the opinion polls began to indicate the growing unpopularity of the Labour Government and the threat of a summer election was removed, the Conservatives acted as paper tigers breathing fire and vehemence in debate but meekly succumbing at divisions.

In the debate on the Queen's Speech Mr. Heath set out his party's attitude towards the minority government:

He said: 'We shall judge this Government by the test of the national interest . . . we shall subject each item of policy to that test. Where the Government are found wanting by this test of the national interest, either in their general programme or on individual items of policy, we shall not hesitate to oppose them to full extent of our power.'

(*Hansard, 12th March 1974, vol. 870, col. 67.*)

But the above account of the major debates and divisions which took place in the period after that statement was made indicates that far from carrying out this promise, the Conservative Opposition bent over backwards to avoid defeating the Government on any major issue of principle, even when they themselves opposed the Government's policy.

### *Phase 2: The end of the Phoney War*

It was not until the Conservative 1922 Committee of back benchers invited Mr. Heath to one of their private meetings to discuss Conservative lobby tactics, that the strategy changed. The *Daily Telegraph* described the meeting thus:

'Conservative M.P.s last night demanded that the Opposition make a serious attempt to defeat the Government next week on the £10 million refund to the Unions and with a condemnation of "Commissar" Benn's industrial plans.

'The demands which were made at a private meeting of the 1922 Committee of back benchers, marked the growing frustration of Conservative M.P.s with what they describe as "mock votes".' (14th June 1974.)

Apparently the call for a tougher line had originally come from Sir Paul Bryan who was reported by the *Scotsman* as warning that 'there must be no more bogus divisions where Tory M.P.s were pulled out at the last minute to prevent a Government defeat'. (14th June.)

The result was *two* Government defeats the following week; on the Finance Bill amendment opposing the £10 million refund to the Unions and on an Opposition motion deploring the 70 per cent increase in electricity charges for night storage heaters. On both these issues the Liberals also opposed the Government.

The second phase was characterised by increasing Conservative obduracy mainly expressed in committee away from the public eye and an increasing willingness to join the Liberals in opposing unreasonable Government legislation. Both the Trade Union and Labour Relations Bill and the Finance Bill were subjected to close scrutiny and the Government was defeated nine times in its attempt to reverse amendments passed in committee—five times on the Labour Relations Bill and four times on the Finance Bill.

Despite this frantic activity at the end of the session, Conservative timidity at an earlier stage was responsible for at least three major blunders being approved: the Government's Rate Support Grant Order, the introduction of £700 million worth of wasteful subsidies and the lifting of standing controls on wages.

### **e THE LIBERAL ROLE**

In the debate on the Queen's Speech the Rt. Hon. Jeremy Thorpe made the Liberal position clear:



'As an opposition party, it is our duty to give responsible support to all those measures which are in the national interest and that we shall assuredly do.'

*(Hansard, 12th March 1974, col. 93.)*

In the event of the Liberal Party found itself voting more often against the Government than with it. This is a natural occurrence with an opposition party, particularly a Liberal Party confronted with a system which allows ample expression of only two points of view. Nevertheless the Liberal Party gave unqualified support to the Government where its legislation was felt to be along the generally right lines. In particular the party can point to its support of the Trade Union and Labour Relations Act, the Rent Act, the Housing Act, the Railways Act, the Northern Ireland Act, the Social Security (Amendment) Bill and the Health and Safety at Work Act as specific instances of support for reasonable measures.

Where the Government has been defeated, it has often been either because its proposals were unacceptable or because, in a minority situation, it took insufficient account of Liberal and other attitudes in the House of Commons.

David Steel summed up the situation in this way:

'We Liberals have offered consistent support from the back benches on an agreed programme. Mr. Wilson turned us down. We are told rather arrogantly by his ministers to take it or leave it, without consultation.

'In these circumstances they cannot be surprised if we sometimes take it and leave it, depending on the merits of each case as we see it.'

*(Statement, 18th July 1974.)*

## **Conclusion**

All in all the Labour Government cannot claim that its position has been made untenable by its minority status in Parliament. Its major items of legislation have been passed by Parliament in spite of diehard Conservative Opposition, particularly to repeal the Industrial Relations Act. In many instances Liberal opposition has served to draw attention to anomalous legislative provisions and often our amendments have served to strengthen legislation and make it more acceptable to the nation as a whole. The Conservative Opposition has generated a lot of hot air but until the opinion polls became more favourable it was unwilling to put its principles into positive practice. When the Conservatives began to exert their strength, it was not always in the interests of Parliament and the nation, as the 4½-hour last-ditch filibuster on the Rent Bill illustrates. The history of the 'short Parliament' of 1974 indicates most clearly of all, however, that minority government can and does work and that when Parliament as a whole exerts its authority over the Government, the result is usually beneficial.

## **f STRATEGY FOR THE NEXT ELECTION**

Given the gravity of the economic crisis which we face and the political uncertainties implicit in the current situation, it is incumbent on every political party to make clear to the electorate exactly where it stands in relation to the various possible outcomes of the next election.

Jeremy Thorpe repeatedly made clear the position of the Liberal Party at the last election and also in a speech to Liberal candidates at Loughborough on 5th July 1974:

'Our prime aim is to seek an outright mandate for Liberal policies and to form a Liberal Government. To this end we intend to present the electorate with a clear radical alternative to the policies of the other parties.'

## **The Balance of Power**

At the last election Mr. Thorpe made clear the Liberal attitude towards the possibility of a situation developing in which the Liberals held the balance of power between the other two major parties:

'First of all, may I say that to hold the balance of power is not what we are seeking to achieve . . . ' (BBC Television, 12th February 1974.)

But Mr. Thorpe acknowledges the possibility that the electorate may decide not to give any part a clear majority in Parliament. In these circumstances he saw the role of the Liberal Party as being:

' . . . to use its influence in the national interest to ensure that a government is formed which pursues policies that are acceptable to the great majority of the British public.' (Loughborough, 5th July 1974.)

In these circumstances he foresaw a number of courses of action presenting themselves:

### **i *Minority Government***

If a major party (other than the Liberal Party) successfully formed a minority government, the Liberal role would be that of

'a responsible but critical opposition supporting those policies which we believe to be in the national interest but never hesitating to oppose the Government, even to the point of defeating it, when we believe that it is acting against the interests of the nation as a whole.'

(Loughborough, 5th July 1974.)

### **ii *A National Government***

Another alternative would be for each major party leader to co-operate in trying to form 'a broadly based government containing representatives of every major interest represented in the House of Commons'. Mr. Thorpe had already made it clear in a letter to Mr. Heath on 4th March 1974 that he would be prepared to join such a government provided the Conservative and Labour Parties were also represented in it:

'At the last election both the other parties rejected the idea, put forward by the Liberals, of such a government of national unity. For my part I rejected the offer of a coalition with the Tories, as indeed I would have done with Labour. I do not believe that 6 million people voted Liberal in order to sustain Mr. Heath or Mr. Wilson in power.' (Loughborough, 5th July 1974.)

## **The Conservative Position**

At the time of writing the Conservative attitude is ambivalent. Mr. Heath having offered the Liberal Party a share in a coalition government, repeated the offer, but almost immediately changed his mind, appearing to reject the possibility of any form of coalition or national government.

'We need, as I said last week, a programme for national unity. Now at the time many people took me to mean the formation of a broader based administration. I did not have that specifically in mind, if only because I know how impractical such an idea must be with the present Labour and Liberal Parties.'

(Speech, 5th July 1974.)

## **The Labour Position**

Mr. Wilson's attitude has been rigid and unyielding throughout the post-

election period. His refusal to take part in any form of coalition or national government was repeated in a television interview:

'We believe the country wants a strong government, Labour or Conservative. I would far rather see that than a pussy-footing coalition that could agree about nothing except things that are not adequate.'

(*'News at Ten', I.T.N., 6th August 1974.*)

## SUMMARY

The election strategy of the Liberal Party may currently be summarised as follows:

- 1 To put up sufficient candidates and elect M.P.s to form a Liberal Government, if the electorate so desires.
- 2 If no government with a majority in Parliament results; to consult with other party leaders in an attempt to form a broad-based government representing every major party in the House of Commons.
- 3 If no consultation is forthcoming or if consultations fail; to play a responsible role in Parliament supporting those policies which are in the national interest and opposing those which are not.

## 2 ECONOMIC AFFAIRS 1

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### LIBERAL POLICY AIMS

#### Prices and Incomes, Monopolies and Consumer Protection<sup>1</sup>

- 1 To introduce a prices and incomes policy with an anti-inflation tax or surcharge on those who cause inflation, coupled with a redistribution of income and wealth.
  - 2 To curb monopoly power, improve consumer protection and reduce the barriers to international trade.
  - 3 To effect permanent regulation of prices and incomes based on full and open discussion of targets and relativities and control of profit margins in terms of absolute amounts not elastic percentages.
  - 4 To fundamentally alter the relationship of the employee with his firm by introducing industrial co-partnership and co-determination, so striking at the social conflict which is the source of wage-push inflation.
  - 5 To safeguard the living standards of the poorest members of society by introducing a statutory national minimum earnings level and by adjusting welfare and social security benefits as well as savings, according to increases in the cost of living.
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#### 1 Prices and Incomes      A The Outlook

According to O.E.C.D. the outlook for the autumn is that prices will have risen by 20-25 per cent compared with the same period last year. (*O.E.C.D. Economic Outlook, 14th July 1974, p.77*). Furthermore, although price rises up to this summer can be traced back in large measure to rising import prices, now that world commodity prices appear to be falling slightly the rocketing rises in our domestic wages and salaries are taking over the running. In money terms wages and salaries will also be 20-25 per cent above a year ago by the autumn. Thus, in real terms, there will be little change in the circumstances of the average family. Due to the rate at which we are putting up wages, our prices are now rising faster than those of our competitors. On present trends they will go on doing so indefinitely (*O.E.C.D. Economic Outlook, July 1974, p.45*). If we allow this trend to continue, our exports will become uncompetitive, and sterling will then have to be devalued still further. The sterling price of our imports will then rise, giving the prices and wages spiral another and steepening twist. There is no end to that spiral unless we make up our minds to keep pay rises down. The *only* way to do this—as Liberals have consistently said throughout the vacillations of Labour and Tory governments—is a permanent statutory prices and incomes policy.

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<sup>1</sup>We have tried to avoid using the term "inflation" wherever possible since economists themselves are confused as to whether it is used to mean a) rising prices or b) increased demand for goods and services. Wherever we have used the term we have stuck to the former definition.

## B The Record

### The Conservatives—a double failure 1970-74

In three and a half years of office, the Conservative government managed to introduce two diametrically opposite economic policies, both of which failed. It is now a matter of speculation which policy the Conservatives will embrace in opposition.

#### a. *Selsdon Man and the U-turn: 1970-72*

The Tories came to power in 1970 on a promise to deal with rising prices.

"... we will give overriding priority to bringing the present inflation under control."

(*Conservative 1970 Manifesto*).

When put to the test not only did the Tories fail to achieve their major aim, but they presided over unprecedented rates of inflation, which have been steadily accelerating recently. From June 1970 to December 1973, the retail price index increased by 33 per cent and the food price index by 48.5 per cent.

	Annual % rate of increase over 6 months earlier		Value of a June 1970 pound
	All prices	Food prices	
Dec. 1970	7.1	2.8	97p
June 1971	12.4	20.8	93p
Dec 1971	5.2	4.9	89p
June 1972	7.3	7.4	85p
Dec. 1972	8.0	9.8	82p
March 1973	7.0	17.7	81p
June 1973	8.4	18.2	78p
Sept. 1973	10.1	12.9	77p
Dec. 1973	10.9	17.5	74p

Source: *Monthly Digest of Statistics and Department of Employment*.

Although it is true that in 1972-73 a good part of our inflation was caused by the explosion of world commodity prices, this is certainly not true of the first two years of the Conservative government—the years preceding the famous U-turn.

In the first two years, government policy was directed towards allowing unemployment to increase to levels not seen since the War. At the lowest point, in the winter of 1971-72, there were nearly 1 million registered out of work. This was the philosophy of Selsdon man at work in a big way.

How was creating unemployment supposed to cure inflation? Essentially, the idea was that higher unemployment would force men to accept lower wages (or at least more slowly increasing wages), which would allow prices to increase at a slower rate. There is no question now but that unions do *not* restrain their demands because of unemployment. The result in 1970-72 was actually faster inflation, for, not only were wage demands not cut, but productivity was stagnant so that we were less able to afford the increases in wages that were won.

It must be admitted that these policies (still being espoused by Mr. Powell) of deflationary fiscal policy and tight money and credit would eventually drive wage rates down—but at what cost? The chain reaction that unemployment and bankruptcies set off is extraordinarily difficult to control. There is no reason to believe that wage inflation would be significantly reduced without unemployment of perhaps five million—hardly Mr. Powell's "temporary dislocation". Without the slightest hesitation, Liberals reject a policy with such implications.

### ***b. The Conservative Philosophy of Expediency: 1972-74***

By the autumn of 1972, it became clear that even the Tories could not go on. In desperation they went for a freeze. This was followed in February 1973 by the more relaxed Stage II, and in November 1973 by the notorious Stage III.

In this fashion, the Conservative Government was forced to turn its back on its election pledges:

"We utterly reject the philosophy of compulsory wage control."

"Labour's compulsory wage control was a failure and we will not repeat it."

*(Conservative Manifesto, 1970.)*

The Liberal Party voted in the House of Commons in favour of the freeze and Stage II. We welcomed the belated conversion of the Government to a policy of growth and the principle of a prices and incomes policy. However, we recognised that the form of the latter was quite inadequate and smacked of expediency. As Emlyn Hooson said in the House of Commons on the 8th November, 1972 in a speech on the freeze: "We are not today being asked to support a policy, we are being asked to support what is really a desperate and emergency expedient, one which has become necessary because of the total failure of the policies propounded by the Prime Minister and his colleagues at the last General Election".

When it came to Stage III, Liberals could no longer support the Government. Expediency had not developed into a fair and workable policy. Stage III planned for a rate of inflation of the order of 10 per cent and yet provided no sufficient machinery for ironing out the inevitable anomalies created by a year's rigid incomes control, nor any mechanism for making necessary adjustments in relativities.

The National Institute of Economic and Social Research summed up the Conservative Government's failure in these terms:

"It is not often that a Government finds itself confronted with the possibility of a simultaneous failure to achieve all four main policy objectives—of adequate economic growth, full employment, a satisfactory balance of payments and reasonably stable prices."

*(National Institute Economic Review, February 1974.)*

### **Labour Lets it Rip, March-July 1974**

The Labour Government of 1964-70 had slowly been forced to recognise the need for a statutory prices and incomes policy, but when Labour went into opposition, deeply divided on this and other issues, the left-wing eventually triumphed and the idea became anathema to them. As a result, the Labour Manifesto of 1974 stated: "After so many failures in the field of incomes policy—under the Labour Government but even more seriously under the Tory Government's compulsory wage controls—only deeds can persuade. . . . We believe that the action we propose on prices together with an understanding with the T.U.C. on the lines which we have already agreed, will create the right economic climate for money incomes to grow in line with production."

### **The Social Contract**

Armed with this "new" policy, now called the "Social Contract", the Labour Government has proceeded to dismantle the elements of wage control set up under the previous government. Apart from the unrealistic nature of any policy which expects voluntary wage restraint at a time of roaring inflation, the Government has not been able to keep its side of the bargain and the debase-

ment of the idea of a social contract is more the fault of the Labour Party than the T.U.C.

The T.U.C. has produced guidelines for negotiation which could, *if* they were strictly held to, bring down the rate of pay awards and prevent price increases. It is the task of each individual union leader to negotiate to achieve a relatively advantageous wage increase for his members and while the T.U.C. can insist on being consulted and ask for justification for a claim they cannot stop the claim going in or being granted.

Since the government has laid down no national guidelines to indicate what kind of settlements it believes the nation can afford in relation to the cost of living many of these claims are submitted purely on a self-interest basis without regard for any other considerations. Neither has the government been prepared to intervene directly in wage bargaining to protect the common interest. The result is a return to a wages free-for-all mitigated only by the T.U.C.'s exhortations to moderation. Given a situation where the Government has more or less left the control of wages policy to the T.U.C., it is hardly surprising that even T.U.C. General Secretary Len Murray has indicated that the government's interpretation of this agreement is unrealistic and wildly optimistic.

### Food Subsidies

In place of statutory controls on incomes the Labour Government has attempted in the words of Dennis Healey "to attack inflation at its source" by taking action to control domestic prices. A Department of Prices and Consumer Protection has been set up under Mrs. Shirley Williams, which Liberals welcomed. But almost all the energies of the Department have been devoted to introducing ineffectual, indiscriminate and expensive subsidies on food and other commodities as a substitute for giving direct aid to the poorest people in the community.

In the Budget statement of 26th March which preceded the Finance Bill, the Chancellor announced that up to £500 million would be made available for subsidies on food this year. So far the following subsidies have been announced:

#### Budget: 26th March

Milk:	2p per pint	£225 million (an additional £50m already allocated by Conservative Government)
Butter:	5½p per lb.	£43 million
Cheese:	7p per lb.	£30 million
Bread:	2p large loaf 1p small loaf	£47 million
		total: £350 million

#### Announcement: 18th July

Tea:	2p per qtr.	£15 million	total: £15 million
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#### Budget: 22nd July

Houseflour:	£85 million	total: £85 million
		grand total: £450 million

Liberals have traditionally opposed indirect subsidies because we prefer to subsidise people rather than goods. Food subsidies distort the market; they are costly and indiscriminate, helping the rich as much as the poor and they do *not* lead to price reductions—at best they postpone, for a short period, price increases. Liberals would prefer to spend the money on increased family allowances and John Pardoe, Liberal Economics spokesman, put forward the Liberal alternative in the Budget debate on 28th March:



"To pay 90p to the first child and £1 to the second and subsequent children would cost £340 million a year, according to the Minister of State in answer to me on 18th March. That leaves us another £160 million of our £500 million to spend on food subsidies or to increase the level of family allowances for second and subsequent children."

## The Supply of Money

In one area, that of controlling the money supply, the Labour Government can claim success in arresting the rapid expansion which occurred under the Tory government, as the following table indicates:

### Increase in Money Supply (broad definition M3)

% rise on last three months converted to annual rate.			
Conservative		Labour	
December 1972	22%	March 1974	15%
March 1973	28%	May 1974	3%
June 1973	16%		
September 1973	35%		
December 1973	26%		

Source: *Economic Trends*.

This change is in the right direction although the extent and speed of it have frightened many monetary economists. Moreover it poses a problem for the Labour government. If the Chancellor continues to restrict the money supply, with the wage increases now being claimed (and granted), there is simply not going to be the money to pay these increases to all the eligible workers. Once again Labour policy in office seems to be leading to rapidly rising unemployment.

## C The Causes of Inflation

It must be admitted that a good proportion of our inflation during 1972-73 has been caused by huge rises in the cost of our imports, which is largely out of the control of the Government. There are a number of things to be said about this.

Firstly, a part of the increased price of imports is attributable to the constant devaluation of the pound since flotation. Secondly, the Conservative Government's policy of stagnation in its first two years, meant that the expansionary phase, with its consequent increase in the volume of imports, came just when the price of our imports was exploding—thus both the inflationary and balance of payments problem was exacerbated.

Thirdly, the policies of the first two years of Conservative government 1970-72, firmly established the working of the price-wage-price spiral, so that when international effects started to bite they added pressure to an already intolerable situation of inflationary expectations. The Labour Government's policy of intensifying price restraint while relaxing wage controls has only added impetus to the wage push aspect of the spiral and put even more pressure on company liquidity.

Lastly, Britain has fared worse than any other major industrial country in controlling the rate of inflation. It might be objected that this is because, since we are so heavily dependent on imported raw materials, we must expect to be particularly badly hit by the large increases in the prices of these goods. But after subtracting the effect of increased import prices, we still find Britain almost at the bottom of the international league table in controlling purely domestically created inflation.

## International Comparison of Home-Produced Inflation from Second Quarter 1972 to the Second quarter 1973

	Import price rises lagged 6 months %	Effect on home prices in current period %	Consumer price rises %	Home-made Inflation %
Sweden	5.7	1.3	6.0	4.7
U.S.A.	9.1	0.6	5.4	4.8
Switzerland	6.3	2.0	8.0	6.0
Denmark	7.9	2.3	8.7	6.4
Germany	6.4	1.3	7.8	6.5
Canada	3.2	0.8	7.3	6.5
Norway	2.6	1.1	7.8	6.7
France	-0.6	-0.1	7.1	7.2
U.K.	9.7	2.1	9.5	7.4
Netherlands	0.9	0.4	8.3	7.9

Source: *International Financial Statistics*.

Note: Because it takes time for import price increases to work through into the prices in the shops, it is the effect of past import increases on home prices (column 2) that must be subtracted from consumer price rises (column 3) to leave the figure for home-made inflation.

## D Liberal Policy

### a) *Towards an inflation-proof economy*

The Tories and Labour alike have promised to stop rising prices but both have approached the problem in a half hearted manner and neither has committed itself to statutory prices and incomes control as the only viable policy to counter inflation and protect the common interest from monopoly wage bargaining and price fixing power. But Liberals also recognise that now we have an established rate of inflation in the region of 15 per cent and can expect much worse in 1974, it is out of the question to halt inflation "at a stroke" even with the best possible policies. Breaking into inflationary expectations is going to be a lengthy operation. In the meantime it is vital to protect the living standards of those who suffer most—pensioners, poor people who are dependent on social security payments, the low paid and the least organized groups of working people. We must do our best to make our economy "inflation-proof".

To this end the Liberal Party is committed to the policies agreed at the Southport Assembly in 1973:

- i) Employers should include in wage agreements guarantees against the rise in the cost of food by means of a flat-rate pay rise relative after tax to the increase in the weekly food bill of the average household;
- ii) Statutory minimum earnings level should be introduced for all workers and set at two thirds of average male industrial earnings for a normal working man. This would add only 3 per cent per annum to the national wage bill if introduced over a four year period.
- iii) In the medium term all welfare and national insurance benefits should be tied to average industrial male earnings.
- iv) In the long term the Liberal Party is committed to a highly comprehensive credit income tax scheme, with the credits also tied to average industrial earnings. (For details see chapter 5 on Social Security.)
- v) The Liberal Party Council in June 1974 reinforced those points and urged the government:

"to drop the wasteful food subsidies, to tell the nation the truth about inflation, and adopt an incomes policy to match its prices control with a system of monetary correction and inflation accounting to guarantee savers, investors and taxpayers against the ravages of inflation."

## 2 Monopoly, Restrictive Practices and Trade Barriers

It is agreed that our domestically produced inflation of recent years had been caused by wage-push rather than by overheating. When Labour wins increases in wages in excess of productivity gains then prices must rise if profits are not to fall. The ability of a firm to maintain its profits by passing on wage increases to the consumer depends, of course, on the strength of the position in the market, that is, the degree of its monopoly power.

The Liberal Party is the traditional enemy of monopoly and restrictive practices. They are unjust and inefficient. Furthermore they facilitate the transmission of inflation.

Liberals believe in a mixed economy with a substantial element of genuinely competitive private enterprise. However, the capitalist system inevitably tends towards monopoly, and hence it must be the role of government to constantly break-up concentrations of unfair monopoly power.

That Labour and Conservative governments alike have not had the will to challenge this ever-growing concentration of economic power is evidenced by the ineffectiveness of the Monopolies Commission. From 1948 to 1964 the Commission made twenty-five reports, eighteen of which called for action to end monopolistic or restrictive practices. In just two of these cases were the recommendations implemented by government order. Thus Britain's industry continues to become concentrated in larger and larger organizational units and in fewer and fewer hands—to the detriment of the individual consumer.

**% of Total Net U.K. Assets owned by:**

	1948	1957	1968
Top Twelve Companies	17.8	20.6	26.2
Top 100 Companies	46.5	50.7	63.7

*Source: G. Whittington in Journal of Industrial Economics, November 1972.*

### The Fair Trading Act 1973

The Fair Trading Act contained provisions relating to monopoly and restrictive practices and also provisions relating to protection of the consumer (see next section). The Liberal Party voted against the Bill on second reading because the monopoly provisions added up to no more than window dressing. As the *Daily Telegraph* of 2nd December 1972 put it:

"Out goes the stuffy, old-fashioned Registrar of Restrictive Trading Agreements; in strides the brisk up-to-the-minute Director General of Fair Trading. The Minister has given us mostly words rather than action."

Indeed even the Minister himself (Sir Geoffrey Howe) admitted that "the provisions concerning monopolies, mergers and restrictive practices . . . are not as formidable as the scale of the Bill Suggests". (*House of Commons, 13th December 1972, Second Reading debate.*)

Liberals propose that those who wish to create a merger, which might give rise to a monopoly situation, should justify their intentions on the grounds of fairness to the consumer and economic efficiency. If this cannot be done then no merger should take place. If such justification can be provided the Government should have some control over key decisions taken as a result of such a merger, in the interests of the consumer.

## Measures against Monopolies

The Southport Assembly, 1973, urged "H.M. Government to stimulate competition where it can still be made to work, break up or control monopolies, prevent non-productive mergers and stamp out widespread incidence of restrictive practices by implementing the following measures to:

1. Regulate, through the Department of Trade and Industry, the pricing and investment policies of those sectors in which competition is ineffective or extinct;
2. Appoint the Monopolies and Merger Commission (M.M.C.) to recommend which sectors to regulate;
3. Levy a higher rate of Corporation Tax on that part of a company's profits deemed in future to have accrued from regulated activities;
4. Refer all significant mergers for scrutiny to the M.M.C. which should approve only those showing clear economic benefits where new jobs are found locally for employees made redundant;
5. Hive off those divisions of large companies which, as adjudged by the M.M.C., would operate more efficiently (or would increase competition without loss of efficiency) as independent units;
6. Assign the Fraud Squad to investigate restrictive practices and prosecute those responsible before the Restrictive Practices Court, with stiffer penalties for convicted companies and individuals;

Furthermore, the Assembly urged Liberal members of the European Parliament and H.M. Government "to press for the implementation of these principles on a European basis in order to embrace the activities of international corporations".

Liberals believe that tariffs and other barriers to international trade continue to restrict competition and preserve monopoly, which, no matter how advantageous for the protected country in the short run, leads inevitably to inefficiency and exploitation of the consumer in the end. In this context, our membership of the E.E.C. is of special significance. While Liberals welcome the reduction in trade barriers between E.E.C. countries, we urge Europe to take the lead in breaking up the protectionist trading-bloc structure of the world economy.

## 3 Consumer Protection

Monopoly power does not depend solely on the size of a company's share of the market. It depends also on the degree to which consumers switch purchases away from products which have risen in price towards close substitutes. Consumer information and protection, then, play a vital part in attack on inflation.

In keeping with the philosophy of Seltsdon man, one of the Conservative government's first acts was to axe the Consumer Council which it felt was no longer necessary as a watchdog for the consumer. Two years later the government stood on its head and introduced the Fair Trading Bill which provided for a Consumer Protection Advisory Committee to advise the Director General of Fair Trading. In the debate on the Second Reading of the Bill John Pardoe M.P. said:

"What has changed? If consumers could stand on their own feet two years ago, why not now? If they cannot stand on their own feet now, why then?"

The Liberal Party welcomed the change of heart and supported with reservations the consumer protection provisions of the Fair Trading Bill.

Similarly, we welcomed the introduction in November 1973 of the Consumer Credit Bill, which seeks to shift the balance of bargaining power in H.P., loan, sales credit and other consumer credit transactions in favour of the hirer or debtor. These Bills go some short way towards implementing the recommendations of the Consumer Affairs Panel's report of 1968.

Recommendations of that report that remain in urgent need of implementation include:

- i. Provision of Consumer Directors on Boards of all nationalised industries and public companies where their monopoly position enables them to dominate the market.
- ii. The setting up of a nationwide chain of Consumer Information Centres as a joint venture by local authorities and voluntary bodies, with access to central testing laboratories and power to institute legal proceedings.
- iii. Regulations to ensure that goods sold by weight are marked both with their net price and price per pound or unit of quantity.
- iv. Provisions for more publicity for the Agricultural Consumers' Committee so that the public know where to take their complaints.
- v. The Consumer Consultative machinery in nationalised industries to be given more publicity and authority so as to force those monopolies to give greater consideration to choice, quality and consumer complaints.

#### **4 Wage Bargaining and Industrial Co-Partnership**

Reducing monopoly power would undoubtedly reduce the ability of firms to pass on wage increases to the consumer, but how do Liberals propose to limit wage demands to the gains in productivity? The natural answer would be to reduce the monopoly power of unionised labour. The economics of the real world is not as simple and neat as this. Labour cannot be treated as just another commodity to be bought and sold. So long as millions of men and women have nothing else to sell, labour has a right to special protection. It is in this context that the traditional aim of the Liberal Party to encourage partnership in industry is relevant to the fight against inflation.

Given that monopoly in industry is reduced where possible and controlled where not, for profits are just sufficient to give a fair return to those who have invested their savings in the firm and to provide funds for financing investment. The issue becomes how the total amount available for increased wages (having been generated by productivity growth) is to be distributed between workers.

In the long run, Liberals see this issue resolved by the implementation of our policies on co-partnership and co-responsibility. We want to see the widespread use of plant-bargaining in the context of firms whose assets are partly owned by their employees and whose profits are shared by them. Partnership means responsibility, and for employees this would be ensured by the introduction of supervisory boards, the members of which would be jointly elected by shareholders and employees. Only by these policies will workers see that there is little to be gained by wage increases in excess of productivity gains. For such increases would simply reduce the amount available for investment in their firms and hence reduce future productivity gains and future profits, in both of which workers would have a stake. What our industrial policies are designed to achieve is the conspicuous identification of employees' interests with those of the firm by providing a visible link between the immediate limitation of wage demands and the future prosperity which it generates for

wage earners and shareholders alike. (For detail see chapter 8 on Industrial Relations.)

## **5 Counter-Inflation Policy—An Inflation Tax**

All the policies outlined above are designed to deal with the underlying causes of wage-push inflation. They are designed for the long-run and even then are not expected to eliminate all inflation. We have an immediate and severe problem. To deal with this we must have a prices and incomes policy.

Liberals believe that whatever form an incomes policy takes, it can only be successful if it wins general consent. This does not mean that the policy should be voluntary. A voluntary incomes policy is as foolish a concept as a voluntary income tax.

To win respect, the policy must operate fairly over different groups, and in particular must bite hardest on those whose demands are most excessive. For this reason, the Liberal Party propose a prices and incomes policy enforced by fiscal penalties.

How this would work was spelled out at the Southport Assembly in 1973:

- i An Inflation Tax would be levied on pay, prices and dividend increases which exceed statutory limits. For excessive price and dividend increases, the inflation tax would be a surcharge on corporation tax; for excessive pay increases, it would be a surcharge on the national insurance contributions of both employers and employees.

- ii Price controls would be strengthened and related to absolute rather than percentage margins.

By this means, those who cause inflation would be made to pay for it, employers would be given a disincentive to yield to inflationary wage demands, yet the normal process of collective bargaining could proceed without direct government involvement.

## **Wage relativities**

Liberals recognise, of course, that there must be machinery available to enable necessary changes in fundamental relativities to take place. Indeed: 'The Liberal Party condemns the inequality of incomes and wealth which is often used as an excuse for exorbitant wage claims and recognises that percentage differentials between different occupations must be narrowed considerably'. (*Margate Assembly, 1972.*)

Changes in relativities would probably be best achieved by the consent of Parliament to ad-hoc reports presented to it along the lines of the old Prices and Incomes Board reports. Such machinery could also be used as an appeals procedure against the imposition of the tax.

## **6 Monetary Correction and Inflation Accounting**

Monetary Correction, or 'indexation' means simply adjusting the worth of savings, the allowances and starting levels of tax and other payments to compensate for the falling value of money. It does little to stop or slow inflation, but it does make the effects of price and pay rises fairer and less destructive. Inflation accounting involves making the same sort of adjustments when preparing balance sheets and profit and loss accounts. The principle is obviously good, but its detailed application is difficult. Liberal economists have been giving the subject a lot of study. The Party Council resolution of June 1974 represents the first fruits of this work.

## CONCLUSION: A NEW SOCIAL CONTRACT

If such a policy is to win approval we must have a new social contract. This embraces the policies on monopolies and the protection of the consumer outlined above as well as the policies designed to raise the living standards of the poor: wage guarantees geared to excessive rises in food prices, statutory minimum earnings legislation, and welfare and national insurance benefits linked to average earnings. It embraces a new partnership in industry. Perhaps most importantly it embraces the implementation of the Liberal policies on the redistribution of income via the tax-credit scheme and on the redistribution of wealth via a gifts and inheritance tax.

The problem of inflation highlights our class-ridden society. It is only by breaking down the ideology of conflict between labour and capital and emphasising their common interest that inflation can be overcome at a tolerable price.

## STATISTICAL APPENDIX

### A. PRICES

The table below shows the average of the three post-war Retail Price Indices, based successively on June 1947 = 100 (discontinued in December 1956), January 1956 = 100 (discontinued in December 1962) and January 1962 = 100. The index's make-up and 'weighting' (i.e. the relative importance attached to different items) is designed to reflect monthly price changes of the items purchased by most households, including practically all wage-earners and most small and medium salary earners (up to £45 a week at present).

#### Retail Price Index—Average 1947-73

June 1947 = 100	January 1956 = 100	January 1962 = 100
1947 = —	1956 = 102.0	1962 = 101.6
1948 = 108	1957 = 105.8	1963 = 103.6
1949 = 111	1958 = 109.8	1964 = 107.0
1950 = 114	1959 = 109.6	1965 = 112.1
1951 = 125	1960 = 110.7	1966 = 116.5
1952 = 136	1961 = 114.5	1967 = 119.4
1953 = 140	1962 = 117.5	1968 = 125.0
1954 = 143		1969 = 131.8
1955 = 149		1970 = 140.2
1956 = 156		1971 = 153.4
		1972 = 164.3
		1973 = 179.4

*Source: Department of Employment Gazette.*

*Note:* Linking the indices: The figures based on January 1962 = 100 can be linked to the January 1956 index by multiplying them by 117.5 and dividing by 100; and to the June 1947 index by multiplying them by 180 and dividing by 100 (the figure based on January 1956 = 100 can be linked to the June 1947 index by multiplying them by 153.4 and dividing by 100).



## B. WAGES AND INCOMES

### (i) Monthly Index of Basic Weekly Wage Rates

Male Manual Workers all industries and services

January 1956 = 100

	1964	1965	1966	1967	1968	1969
January	138.2	144.0	151.3	155.6	167.2	176.0
February	138.5	144.2	151.3	155.9	167.7	176.5
March	138.9	144.5	152.7	156.4	168.1	176.7
April	139.4	145.0	152.9	156.6	168.4	176.9
May	139.9	145.4	152.9	157.5	168.6	177.0
June	140.7	146.3	153.6	157.6	168.8	177.3
July	141.2	147.6	154.5	160.4	169.7	178.0
August	141.4	147.8	154.6	160.8	170.2	178.5
September	141.8	148.0	154.6	161.7	170.7	179.7
October	141.9	148.5	154.6	162.5	171.2	179.9
November	142.3	149.3	154.6	163.3	172.9	181.3
December	143.0	149.6	154.6	163.7	175.4	185.0
	1970	1971	1972	1973	New Index July 1972*	
January	185.8	211.4	235.3	108.3		
February	188.5	211.6	235.6	108.6		
March	189.7	212.1	235.3	109.0		
April	190.2	213.1	237.6	111.5		
May	192.2	216.2	240.0	112.4		
June	192.9	218.5	244.1	115.0		
July	194.3	219.7	245.2	115.4		
August	196.8	220.6	254.0	119.1		
September	197.9	221.5	262.9	119.3		
October	199.3	221.8	263.8	119.7		
November	204.5	223.1	265.3	120.1		
December	208.5	227.5	265.6	120.5		

\*Linking the indices: the figures based on January 1956 can be linked to the July 1972 index by dividing them by 245.2 and multiplying by 100.

Source: Department of Employment Gazette.

### (ii) Annual Index of Average Earnings

All employees in all industrial and services

January 1970 = 100

	1964	69.6	1968	88.8
	1965	74.7	1969	95.7
	1966	79.6	1970	107.2
	1967	82.1	1971	119.4
			1972	134.8

(Annual averages)

(Annual averages)

Source: Hansard, 13th December 1973, written answers, Col. 168.

### (iii) Average Earnings of all Employees: Great Britain

Percentage increase in average earnings (at an annual rate) compared with the same month of the previous year

	1970	1971	1972	1973
January	8.5	14.2	8.8	15.0
February	10.8	12.8	n.a.	n.a.
March	8.8	13.2	10.7	12.4
April	10.4	11.7	11.4	13.4**
May	12.3	12.1	11.1	14.3
June	11.9	10.9	11.7	15.3
July	12.0	11.7	11.3	15.8
August	13.9	10.9	11.1	14.8
September	13.2	10.9	14.0	13.3
October	13.6	10.3	15.2	12.5***
November	14.2	9.1	16.5*	12.3
December	13.7	9.3	15.4	—

\* Stage I begins. \*\* Stage II begins. \*\*\* Stage III begins.

Source: Department of Employment Gazette.

### Earnings and Prices

The following figures compare the increases in retail prices with the rise in average earnings (a) from June 1970 to November 1973 and (b) from November 1972 to November 1973.

Earnings and Prices			
	June 1970-Nov. 1973	Nov. 1972-Nov. 1973	
	%	%	
Retail Prices	+33.5	+10.3	
Average earnings*	+50.5	+12.2	

(\*Seasonally adjusted.)

### C. MONOPOLIES AND MERGERS

Monopolies and Mergers  
Growth of number and value of takeovers by mergers and takeovers 1964-72

Year	No. of Companies acquired	Total consideration £ million	Average consideration £ million
1964	941	507	0.5
1965	1005	529	0.5
1966	811	529	0.7
1967	763	822	1.1
1968	950	2308	2.4
1969	846	1069	1.3
1970	793	1122	1.4
1971	884	911	1.0
1972	1210	2532	2.1
1973	1205	1304	1.0

Source: Trade and Industry Gazette, 10th February 1971, 16th October 1973, and 30th May 1974.

## 3 ECONOMIC AFFAIRS 2

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### LIBERAL POLICY AIMS

#### **Paying our Way: Economic Management and the Balance of Trade**

- 1 To achieve a continuing controlled and stable economic growth in order to improve domestic living standards to pay our overseas debts and to play a full part in aiding the development of the Third World.
  - 2 To end 'stop-go' and the violent fluctuations in demand management.
  - 3 To manage a flexible exchange rate policy by means of a 'crawling peg' to forestall balance of payments crises.
  - 4 To press for reform of the international monetary system so that countries can live with a medium term balance of payments deficit or surplus and so that events such as the rise in oil prices need not cause an international slump.
- 

### 1 THE OUTLOOK

Britain is facing her worst economic crisis since World War II. Added to the accelerating rate of inflation which was discussed in Chapter 2, are three allied problems which face us in our economic relations with countries abroad. These are:

- 1 The balance of payments deficit.
- 2 The huge increase in the cost of oil and other imported raw materials.
- 3 The lack of investment and liquidity in British industry. This will be dealt with more fully in Chapter 4.

After a few months of Labour government, economic prospects are even worse than when they took over. The huge increase in import prices, particularly oil, are still working through the economy and domestic prices are accelerating. The prospects are for a steeper rise in unemployment, a worsening balance of payments deficit and even less economic growth and investment than seemed likely even at the end of February (*Sources: National Institute Economic and Social Research Review and C.B.I. Survey*). There is only one consolation: the miners' strike and the three-day week seem to have been much less damaging than was thought at the time.

Hitherto economic forecasts have assured the continued growth of world trade, but it is still possible that there will be an international collapse of credit or demand, so badly have the balance of payments consequences of the oil crisis been managed. There is nothing that Britain alone can do to avert such a collapse which could have disastrous consequences to the Third World. Therefore international co-operation will be essential. Yet the narrowly nationalistic attitude which both the Labour and Conservative parties have adopted towards co-operation with the E.E.C. cannot have helped to develop the necessary confidence and trust.

Britain's share of world trade has been steadily falling from 15.3 per cent in 1963 to 9.5 per cent in 1973. It will be no easy task to maintain our share even

at this level and a considerable shift of resources into exports will therefore be necessary. At the same time it will be necessary to correct the balance of payments deficit—currently running at £4,000 million per annum—by cutting back on domestic demand. The Labour government has already taken drastic action to cut back the money supply. The twin dangers of such a policy are first that it may contribute to a possible slump and second that it may cause inflation to rise to an unacceptably high level. In any event unemployment seems sure to rise and may reach the 900,000 level achieved under the Conservatives in 1972. This is clearly contrary to the national interest and, unless international monetary co-operation breaks down completely, quite unnecessary.

The solutions to the crisis in the domestic economy are clear but Labour has crippled itself by refusing to consider the possibility of wage control. A statutory prices and incomes policy is essential so that the expansion of the money supply can be limited to the minimum necessary to accommodate unavoidable price and income rises, and our exports can be kept competitive. This would also enable the level of unemployment and unused capacity to be no larger than is needed for the shift of resources into exports. The size of the required shift is still uncertain and will remain so until the Government reveals its public expenditure plans. Labour may be politically wise to keep quiet about the fact that they may already have used up, and possibly exceeded, the scope for increased public expenditure but until this is known no firm predictions can be made and the appropriateness of Labour's budgetary policies will not be apparent.

Mr. Healey's first budget in March 1974 held demand down too far whilst raising prices unnecessarily. His second effort in July 1974 was an attempt to correct these errors by injecting £840 million into the economy in the next year. *The Times* described the measures as 'too little yet too much' (leader, 23rd July 1974). It may well be that too little has been done to help company liquidity for the export drive whilst at the same time too much has been handed out to the consumer in spending power through cuts in V.A.T. and other subsidies.

## **2 THE RECORD**

### **a Growth**

The Conservative government's aim was to increase the crude growth rate of the G.N.P. Instead, for nearly all the period of the Conservative government we saw the economy working at half-cock. The unemployment that the Tories believed would cure inflation was not only unjust but an appalling waste of our scarce manpower resources.

Since the U-turn on employment in the Budget of 1971 we have seen the economy slowly moving back to full capacity. This is what the Tories claimed as the great breakthrough into a new era of high economic growth in Britain. Indeed over the year to the third quarter 1973, industrial production has grown by 8.8 per cent and output has grown by 6 per cent. But this is not sustainable growth of productive capacity but merely the result of taking up the slack in the economy. If we judge the Conservative government's record on growth over a full cycle we discover that from 1969 to 1973 (third quarter) output has grown at the annual rate of just 2.9 per cent, which compares with 2.6 per cent for the annual growth rate over the last three years of Labour rule.

These rates are put in perspective by making international comparisons which are presented in the table below.

#### International Comparisons of Growth Rates

	Annual Rates of Growth of G.N.P.			
	1959-60 to 1970-71	1972	1973	1974 (partly forecast)
U.S.	3.9	6.1	5.9	-1½
Canada	4.9	5.8	7.1	5
Japan	11.1	9.4	10.8	-1½
France	5.8	5.5	6.1	4½
West Germany	4.9	3.0	5.3	1½
Italy	5.5	3.4	5.4	-3½
U.K.	2.9	3.5	5.4	-2

Source: O.E.C.D. *Economic Outlook*, July 1974.

#### Liberal Policy

G.N.P. is not a true measure of social welfare. Economic policy should not be directed solely at the maximisation of rate of growth (see also chapter 12 on Environment, Energy and Transport).

Nevertheless, G.N.P. does give a rough guide to the material resources at a country's disposal, and the Liberal Party recognises that, if we are to be able to afford to spend more on the social programmes that we believe are necessary and just, without decreasing material standards of living, we must have economic growth.

This must be controlled qualitative growth however, for the Liberal Party 'is extremely concerned at the ecological environmental consequence of economic growth and recognises that economic policy must be based on the recognition that the resources of our planet are finite and that revised attitudes to growth will require major changes in society, particularly with regard to education'.

As an instrument against damaging growth, a Liberal government would introduce measures:

- 1 To prevent ecologically wasteful activities such as want-creating advertising and planned obsolescence.
- 2 To channel resources into activities such as recycling, conservation, improved quality and durability of goods and the reduction of pollution.

(*Margate Assembly, 1972.*)

This means that by incentives and, where necessary, by regulation, Liberals want to see the country's (fully employed) productive resources directed to producing goods and not bads (see chapter 12).

#### b Investment

If we are to move on to a new higher sustainable growth path, then it is necessary to devote more of our resources to building up productive capacity. This means we will have to consume a smaller proportion of the national income.

We can see that over the period of Conservative rule, the proportion of output going to investment has remained low by almost all international standards. And it has not improved with the advent of a Labour government.

**Fixed Capital formation as % of G.N.P.**

	1967	1972
Canada	24	22
France	22	26
West Germany	23	26
Italy	18	19
Japan	31	35
U.S.A.	17	18
U.K.	18	19

*Note:* The U.S.A. figure is not strictly comparable as it excludes government spending on equipment while the figure for the other countries includes it.

*Source:* U.N. *Monthly Bulletin of Statistics*.

**Liberal Policy**

In the past, the government efforts to encourage investment have been directed to providing systems of incentives, either investment grants (Labour) or investment allowances (Tory). The Liberal Party has constantly said that the key to increasing investment is maintaining the economy at a stable level of demand. Investment grants and allowances reduce the cost of investment to a firm, but unless it can see that it will be able to sell the greater output the new capacity will produce, almost any price for new investment is too high.

There is no question but that Britain's poor record is attributable to the policies of stop-go that we have still not broken with. By the time demand has reached levels which convince firms of the need to invest, our balance of payments will have been running at a large deficit, which governments have reached by deflation.

**c Balance of Payments and the Exchange Rates**

Since December 1971, sterling has been effectively devalued (i.e. against an average of foreign currencies weighted according to their importance in our international trade) by  $17\frac{1}{2}$  per cent. Our balance of payments deficit on current account is running at the rate of £4,000 million a year. This represents a claim on our resources worth 6 per cent of G.N.P. or two years normal growth. Half of the deficit is due to the rise in oil prices, half would have had to be dealt with even if oil prices had not been put up.

**External Value of the Pound and Balance of Payments**

	Effective devaluation of sterling (a) (%-last working day of year)	Balance of payments on visible trade (b) (£m per year)
1971	-1.2	+285
1972	-11.6	-685
1973	-17.4	-2,348
1974 (partly forecast)	-17.5	-5,000

(a) Against Smithsonian parities of December 1971.

(b) The balance of payments on current account is made up of this figure (the visible balance) plus the balance of invisible trade which is running at a surplus in the region of £90 million per month in 1974 (see Appendix).

*Sources:* Bank of England Quarterly Bulletin, Department of Trade and Industry, *Economic Trends* and O.E.C.D. *Economic Outlook*.

Now the first effect of devaluation is to worsen our balance of payments. For the volume of our imports (largely food and raw materials) is dependent in the short run on the level of demand at home rather than on price so that

import volume is hardly affected by devaluation whereas import prices rise, so our import bill increases. Of course, our exports become cheaper but the extra competitiveness, this gives us in foreign markets takes time to show up in an increased volume of exports, so that in the short run our earnings from exports are reduced.

As the balance of payments worsens, one may expect speculative pressure against the pound. If the government allows the pound to float lower, the balance of payments further worsens and a continuing process forces the external value of our currency far below its true worth. This is, of course, exactly what the Tories allowed to happen. It should also be pointed out that the long delay before economic expansion was started meant that the expected pressure on our balance of payments was considerably exacerbated by the simultaneous explosion in world prices of raw materials. Furthermore, the inability of the Conservative government to prevent our rates of inflation exceeding those prevailing in our principal trading partners has continued to exercise a depressing effect on our balance of payments.

### **Liberal Policy**

Liberals continue to believe that the principle of exchange rate flexibility is correct. The alternative is to continue the policies leading towards stop-go. For this reason, Liberals welcomed the Government announcement of June 1972 that the pound was to float as the adoption of a long-established Liberal principle. However, the system we advocated was that known as the 'crawling-peg' by which the pound's value would be allowed to move only within prescribed limits during any given period of time. We believe that in a world in which foreign exchanges are liable to be dominated by the very large balances held by multinational companies and oil-sheiks, that governments must not allow purely speculative pressure to determine their country's exchange rate. The purpose of flexibility in exchange-rate policy is not flotation for its own sake, but is to allow the currency to adjust to its true medium term value—that is the value which will ensure that roughly and on average the balance of payments on current account shall be neither in deficit nor in surplus. Liberals have always recognised (and this is why we support the 'crawling-peg') that the beneficial effects of exchange rate flexibility take time to work through and that in the short term there must be control by the Bank of England intervention.

To sum up, although we welcome the Tories and latterly Labour's acceptance of the principle that our exchange-rate must not be treated as a status symbol and must be allowed to adjust to changing economic circumstances, the *application* of the principle has been marked by an appalling blunder.

### **d Demand Management**

There are two possible courses here. The first is to do all that is possible to finance our balance of payments deficits by claiming credit abroad. According to the *London and Cambridge Economic Bulletin* (January 1974) Britain can find about £12,000 million (from official reserves I.M.F. drawing rights, U.K. official borrowing and public sector currency borrowing) to finance the balance of payments deficits up to 1977. The other alternative is to contract demand (i.e. deflation). The Conservative Government in 1973 took two kinds of deflationary measures, to counteract our worsening balance of payments deficit on current account (goods and services), interest rates

were pushed to unprecedented levels (13 per cent minimum lending rate announced November 1973, which has been shaved by  $\frac{1}{2}$  per cent since February 1974) and so attract short-term capital flows (so called hot-money). The policy was successful but was nevertheless a deflationary act, for high interest rates must eventually have a depressing effect on investment.

The second set of deflationary measures were announced in the emergency budget of December 1973. The major instrument was the cutting of Government spending plans for 1974 by £1,200 million, which represents 3.7 per cent of all government spending. These deflationary measures represent the beginnings of the next stop phase of the continuing stop-go cycle. It should be noted that the total deflation in the pipe-line for 1974 is much larger than the £1,200 million above. The oil-price increases are virtually indistinguishable from increased taxation in the region of £1,500 million in a full year (according to the *London and Cambridge Economic Bulletin*). Finally, there is the effect of the fiscal drag—that is, with given income tax rates and with tax allowances fixed in money terms, inflation increases the income tax take of the Inland Revenue automatically with consequent demand contraction. The Labour Government has so far followed the Conservative 'stop' phase with an initial spring budget that caused a further, though relatively small contraction in demand. They have backed this with rigid controls on the supply of money. The Tories' reckless expansion of the money supply had to end and we have not yet felt the effects of the new policy. The great danger is that a sudden slowing down of expansion from 25 per cent a year to virtually nil may cause a more drastic rise in unemployment than was expected at the time.

The current unemployment figures show that the total number of unemployed in Great Britain in August 1974 was 656,367 an increase of 39,526 on the previous month. The total represents 2.5 per cent of the total number of employees in Great Britain. Seasonally adjusted unemployment, increased by 24,400 to 606,000 (2.7 per cent of all employees). Trends in unemployment are better illustrated by the three monthly moving averages of seasonally adjusted unemployment which show that after the return to work following the three day week unemployment has begun to rise steeply again (see table).

#### Three Monthly Averages (000's)

Period 1973-74	Average monthly level	Average monthly change
December-February	517.8	+21.0
January-March	542.8	+25.0
February-April	546.8	+4.0
March-May	546.7	-0.1
April-June	552.0	+5.4
May-July	563.8	+11.7

Source: Department of Employment.

#### Liberal Policy

Liberals condemn the use of large government spending cuts for demand-management purposes: they are extremely disruptive of highly important public sector programmes, e.g. school and hospital building and investment in public transport. If deflation is unavoidable (though we believe it is not, see International Monetary Affairs section below), then Liberals would rather use taxation than government spending to decrease demand.



On December 17th 1973, Mr. Barber said on television that "as a nation we have got to cut back on our spending . . . there is going to be enough hardship for ordinary people this winter without putting up taxation all round. So . . . I came to the conclusion that the right cause was for the government, instead of cutting your spending, to cut its own spending . . ."

It must be emphasised that government money is our money as taxpayers, and a cut in government spending is as much a cut in our spending as is reduced private spending forced by increased taxes and causes just as much hardship.

### **e International Monetary Arrangements**

If a stop is to be achieved, or if, because of the mismanaged exchange rate it cannot be completely avoided, it is to be minimised, then the extension of credit and swap arrangements between Central Banks is of special significance to us.

There has been much turmoil on the foreign exchange over the last few years; dollar devaluation, the pound and now the franc floating, the Smithsonian agreement, and most importantly the destruction of the old monetary order of 'fixed but adjustable' exchange-rate parities that has been the basis of the system since the Bretton Woods agreement of 1948. The need for an efficient new system is highlighted by the oil crisis.

The quadrupling of the price of oil (between October 1973 and January 1974) means that all industrial countries are going to suffer major losses on their balance of payments accounts. The great danger is still that each individual country will resort to deflation or competitive devaluation or both in an attempt to shift their oil deficit onto other countries. The outcome of such 'beggar-my-neighbour' policies would be a world slump of massive proportions. This can be avoided if arrangements are made to ensure that each countries' deficit, as far as it is caused by the oil price increase, is financed by the creation of sufficient international liquidity and extensive swap arrangements. Even without the oil crisis, it is clear that a new international monetary system is necessary.

### **Liberal Policy**

Firstly, a system must be devised which avoids the mutually destructive attempts by all countries to rid themselves of balance of payments deficits by deflation or devaluation. Everyone cannot have a balance of payments surplus: one man's deficit is another's surplus and the whole system must balance. Therefore arrangements must be made to make living with a medium-term deficit tolerable. Secondly, the new system must enable international liquidity to expand at a sufficient rate to finance the growth in world trade. This means that we shall eventually have to break with the gold as a central element in our system. Liberals believe that the development of S.D.R.'s (Special Drawing Rights with the I.M.F.) holds out the greatest hope, and we welcome the extension in their use we have seen over recent years.

In the longer term, Britain, whose economy is so dependent in international trade, has a special reason to take a leading role in developing efficient monetary institutions. If that effort fails, we will face a particularly unpleasant and severe period of deflation; unemployment will again be reckoned in millions.

In this context, the Liberal Party abhors both the Tory government's resort to bi-lateral oil deals, which undermine the American initiative towards

international agreement on how to finance the western world's oil deficits, and the Labour government's evident leaning towards similar narrow national arrangements.

### **The Economic Effects of North Sea Oil**

It has now been proved that two barrels in every 100 of the world's oil resources lie off the north-east and east coasts of Scotland and the ratio could increase appreciably if the west Atlantic deeps off the Orkney prove as productive. The first oil will come ashore in Britain from the North Sea in the autumn of 1974 and experts agree that Britain could become a net exporting country if, as it is expected, production exceeds the present domestic consumption rate of 3.1 million barrels a day.

The magnitude of the oilfields has been described thus by Lord Balogh, Minister of State for Energy:

'... the likely minimum figure of 150 million tons a year in the British sector or roughly 1,050 barrels at \$10 a barrel would make a yearly gross revenue of over 10,000 million dollars or some £4,000m. The value of total reserves at that price (disregarding the freak auction figure of \$16 per barrel or even the present Gulf posted price of \$11.65 per barrel) would be around some \$300 billions. We are here confronted with staggering magnitudes.'

*Source: 'The North Sea Oil Blunder' The Banker (March 1974 p.282)*

Professor Peter Odell, a world authority on the economics of oil believes that production from North Sea oilfields will be at least 300 millions tons per annum of which Britain could expect two-thirds. At \$10 a barrel Professor Odell's figures would generate annual gross revenue flows in excess of £5,000 million per year.

Whether the target of self sufficiency by 1980 is reached and the import saving and additional income from exports is sufficient to offset the present balance of payments deficit depends on a number of factors. Fundamental to the success of the venture is the way in which the Government plans and carries out the exploitation of oil. So far there has been only one major report, that of the Committee of Public Accounts 1972/73 'North Sea Oil and Gas' (Cmmd. 122) which hardly indicates that Parliament is aware of the task before us.

Published material from the Department of Energy indicates that the Government has not yet developed the resources to independently analyse and plan the necessary development and there is some truth in the allegation that it is relying heavily on information provided by the larger oil companies. The dangers of this policy are obvious.

There are at least four secondary factors involved in the development of North Sea Oil; they may be categorised as strategic planning, finance, manpower and an advanced technology.

#### **i Strategic Planning**

The nub of this is the need for a National Energy Policy and a permanent statutory advisory commission to proffer independent advice to the Government. Liberals have been pressing both these necessities on the government for some considerable time with little effect. There has been no public debate or administrative guidance about the future relationship between coal, gas, nuclear energy and oil. The 'Brown Book' on oil development and the recent White Paper have not addressed themselves to

this question and meantime the Government has pressed ahead with major investment programmes for coal and nuclear energy.

Regardless of what kind of control the Government ultimately takes in the oil industry there must be a strategic framework so that public and private sectors can work together in an orderly fashion and to prevent environmental damage and undue social and economic dislocation. So far the central government has taken little initiative in helping local authorities in Scotland to deal with the new situation. Both Labour and Tory governments have seemed hell-bent on achieving the maximum exploitation in the shortest possible time regardless of the consequences. This attitude was summed up by Gordon Campbell, Secretary of State for Scotland in the last Conservative Government—'The national interest is to obtain as much oil from the North Sea as we can, as soon as possible.' Such a policy has resulted in millions of pounds of regional development grants going to companies desperate to exploit the situation. The result has been that the cost of providing the infrastructure has, in effect, been borne by the local authorities and not the developer.

Jeremy Thorpe made the Liberal position clear at the last election:

'However superficially attractive it might appear, rapid exploitation is not the answer. Regardless of the loss in revenue to foreign companies, such a proposal would also do irreparable damage to the environment and deprive British industry of a full part in developing our own resources of oil. The country and the government needs to be far better informed of current development before it embarks on a reckless oil boom which could have similar consequences to the ill fated economic booms of the past.'

*Statement, 19th February 1974*

## ii *Finance*

The capital involved in the exploitation of North Sea oil is prodigious and is linked to the global problem of managing the oil deficit. The quadrupling of the price of oil has effectively enhanced the attraction of North Sea oil. But North Sea oil is many times more expensive to extract than Middle Eastern oil and since the price of oil was increased a massive global search for alternative sources has taken place. The effect on world prices of massive new supplies of oil nevertheless depend on whether the O.P.E.C. countries decide to maintain the current high price. If they decide to cut their prices, the policies of successive governments in depending upon North Sea oil as our economic salvation could come unstuck. Massive investment in natural resources now could land us with an oil asset whose extraction costs are prohibitive. In the meantime there is the continuing burden of managing our oil deficit which could total £9,500 million by 1980. No one is certain just how the global oil deficit is to be digested by the international monetary system. It is certain that severe pressures are building up through international indecisions in which Britain has so far played an integral part. Whatever happens, it seems probably that 80 per cent of the capital for exploitation will have to come from overseas—the question will be whether Britain can afford to own the oil or how much has to be mortgaged.

## iii *Manpower and Technology*

The technology required for exploitation is more sophisticated than that used for the moonshots and hence this will require considerable initiative and foresight on the part of government. Investment in training manpower must start now. Already technological problems could cause economic disruptions

due to lack of governmental guidance. For example production platforms are progressively more expensive, in deeper water and there is uncertainty about the relative merits of concrete and steel construction which also implies differences in constructive location. Furthermore oil companies are likely to substitute sub sea production systems in order to reduce costs, which would do away with platforms altogether to the detriment of domestic industry. It is thus vital that the government involves itself fully in developing the necessary technology in order to avoid undue stress and dislocation.

### **Conclusion**

It would be totally wrong to base our economic policy on the expectation that the exploitation of North Sea Oil will solve our balance of payments problems for all the reasons outlined above. Hence Liberals believe that we must begin now to get to grips with our economic crisis using existing resources whilst ensuring that oil development proceeds in an orderly and efficient manner and with maximum benefit to the British economy.

A fuller exposition of Liberal policy on oil and energy is contained in chapter 12.

## **APPENDIX**

### **Statistical Analysis of the Balance of Payments Crises 1964-1973**

The balance of payments is a measure of Britain's trading and investment transactions with the rest of the world. Since 1964 there has been an almost continuous deficit on visible trade abroad with the exception of 1971, i.e. we have imported more than we have exported in cash terms. But this has normally been offset by a surplus on invisible trade (interest on overseas investments, repayments of loans etc.) The balance of visible and invisible trade constitutes the current account of the balance of payments.

# 1 Balance of Payments Currency Flow 1964-73

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Visible Trade Balance	-519	-237	-73	-557	-659	-143	-9	+285	-685	-2250
Invisible Trade Balance	+137	+188	+157	+241	+375	+588	+701	+776	+768	+905
Current Account	-382	-49	+84	-316	-284	+445	+692	+1061	+83	-1345
Total Currency Flows										
(Including C/A investments, Loss on Currency Exchanges and other Capital Flows)	-695	-353	-547	-671	-1410	+743	+1287	+3228	-1265	+1555
Allocation of SDR's			-44				+171	+125	+124	
Gold subscription to IMF							-38			
TOTAL	-695	-353	-591	-671	-1410	+743	+1420	+3353	-1141	+210
Financed as follows:										
Official borrowing ( + ) or repaid ( - )	+573	+599	+625	+556	+1296	-699	-1295	-1817	+449	
Official Reserves										
Drawings on ( + ) or Additions to ( - )	+122	-246	-34	+115	+114	-44	-125	-1536	+692	-210

Source: Central Statistical Office

## 2 The Rise in World Prices

One major reason for the current adverse trade balance is the unprecedented rise in world commodity prices during 1972/73 caused partly by the action of the O.P.E.E.C. countries, in quadrupling the price of oil, and partly by a world shortage of basic commodities. This is indicated by the table below which is based on the U.K. price of seventeen stable commodities.

REUTERS COMMODITY INDEX  
(1931 = 100)

1964		473.7
1965		452.7
1966		451.7
1967		438.4
1968		494.8
1969		534.0
1970		559.9
1971		525.7
1972	January	547.6
	June	551.3
	December	722.2
1973	January	795.0
	June	974.9
	December	1,193.4

Between January 1972 and December 1973 the index rose by 148 per cent

## 3 Effect on Cost of Imports

The following table shows the effect of commodity price rises on the balance of payments at annual cost of well over £1,000 million.

BRITAIN'S IMPORT BILL

	1972 imports 000 tons	1972 average price £/ton	1972 average cost £m	Latest 1973 £/ton	Annual cost £m
Industrial					
copper	472	427	207	932	453
lead	206	124	29	196	47
tin	6	1,507	9	2,252	14
zinc	230	153	35	651	151
rubber	178	149	124	385	69
Food					
wheat	4,127	32	124	101	392
maize	3,095	27	83	55	169
soyabeans	530	155	29	241	45
coffee	100	461	29	66	51
Textiles					
wool	130	960	56	1,380	81
cotton	3,016	350	44	803	101
Crude oil*	102,874	9	914	18	1,804
Total Import Bill			1,698		3,397

\*Takes no account of second substantial increase in oil prices in December 1973.

Source: *The Economist* 17th November 1973

## 4 WEALTH AND TAXATION

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### LIBERAL POLICY AIMS

- 1 To simplify the system by combining the functions of the Inland Revenue and the Social Security Department so as to ensure a minimum income for every household.
  - 2 To redistribute income and wealth by means of a credit income tax and a gifts and inheritance tax.
  - 3 To abolish the National Insurance stamp and replace it by a regionally varied payroll tax.
- 

### THE SOURCES AND USES OF TAXATION

Taxation is one of the powerful weapons of economic policy available to present-day governments; consequently, the Liberal Party's proposals for taxation reform are a central feature of its economic policies.

Taxes are intended for two quite separate purposes: raising money to cover government expenditure, and controlling the overall level of demand, so as to prevent serious inflation or depression. The overall level of demand is made up of government, business and private spending. Where the total level of spending exceeds the amount which can be produced, prices rise; if spending and exports fall short, the result is unemployment, and the national output and real income are lower than they need be.

In addition to these two major objectives a well-designed tax system can promote economic efficiency, economic growth and exports. It can be used to implement regional policies; to influence the supply of labour, and to change the distribution of capital and income. It is clear that the present system of taxation in Britain fails to do several of these things, and in addition is unduly complicated and adversely affects incentive.

### The Present System—Direct and Indirect Taxation

Direct taxes are those which are paid direct to the Inland Revenue or town hall, and include income tax (all rates), corporation tax, capital gains taxes of all kinds, death duties and stamp duties, as well as local rates. Indirect taxes are those levied on goods and services and collected indirectly through the manufacturer, wholesaler or retailer. While this is a useful rough classification, it has also led to a good deal of confusion, particularly with regard to the proposal for switching some of the tax burden from direct to indirect taxation, and when making comparisons between the tax systems of Britain and other countries.

The usual assumption is that direct taxes are paid by the person on whom they are levied and that indirect taxes are passed on to the consumer in the form of higher prices. This is not wholly true. It may be that some of the burden of income tax, corporation tax and the National Insurance stamp is passed on in the form of higher prices, and that a reduction in these taxes (due,

for example, to the introduction of V.A.T.) has lead to lower prices. If it is true that trade unions secure higher wages to compensate for increases in the cost of living, some will try to secure higher wages to compensate for higher income tax or National Insurance contributions.

A widespread belief, also not necessarily true, is that income tax is always progressive, i.e. the higher the income, the larger the proportion of each pound paid in tax; and that indirect taxes are always regressive, i.e. the lower the income the larger the proportion of each pound paid in tax. This belief probably arose because before the late nineteenth century, governments found it easier to raise revenue by taxing items which were bought by everyone, such as salt. It seems to be the main reason for the Labour Party's hostility to V.A.T. It is misguided because:

- a over most of its range our present income tax is not progressive; and
- b in a modern economy, indirect taxes can be designed to exempt basic necessities, but nevertheless raise large amounts of revenue.

The N.E.D.O. Report on a Value Added Tax commented:

'It does seem, however, from various studies which have been made, that the total burden of taxation in the U.K. falls relatively heavily on the lower and higher income groups, while a very wide band of middle incomes are taxed at about the same level as in other countries and at a rate broadly proportional to income. To put it another way, the tax system is regressive at the lower levels, proportional in the middle and progressive at the upper end'.

(H.M.S.O., 1969.)

Remarking upon what it called the 'myth' of a socially just income tax, the *Observer* said:

'For the majority with incomes between £662 and £4,005 a year it is not. Income tax takes exactly the same amount out of every pound earned. It's the system of personal allowances that help swing the system in favour of poorer people'.

A reduction in income tax rates, therefore, would not necessarily be a move towards greater inequality (nor would it necessarily lead to more equality). On the other hand a big increase in indirect taxes applied to all goods and services would be regressive, as basic necessities—food, fuel, rents and mortgage repayments and public transport—constitute a much larger proportion of the spending of the poorer groups of the population than they do of the well off. For this reason Liberals have consistently supported the exemption of these five 'basic necessities' from V.A.T., for even if social security benefits were raised accordingly these would still be a serious regressive effect on low and medium wage-earners in addition to those dependant on such benefits. Neither does the exemption of such items affect our overall macro-economic control of the balance of trade. Apart from food, which has been exempt since V.A.T. was introduced and S.E.T. abolished, they do not enter into international trade and nothing is therefore lost by exempting them from V.A.T.

### **Liberal Objectives**

The main objectives of a Liberal programme of tax reform were formulated in the Report of the Liberal Tax Committee in 1962, under the Chairmanship of Professor G. S. A. Wheatcroft and later elaborated in a resolution approved by the 1967 Liberal Assembly. As a general statement of principle they remain relevant.



- 1 To cut the burden of direct rather than indirect taxation wherever possible.
- 2 To compensate those individuals and groups who might lose through high indirect taxation by introducing a far more comprehensive social security system concentrating help on those who really need it.
- 3 To ensure that those with higher income make an appropriate contribution to the national economy by more effective taxation on transfers of wealth.
- 4 To rationalise and simplify the system, so that tax avoidance is discouraged and the system is less complex.

The actual rates at which these taxes would be levied and the extent to which the commitment to reduce direct taxation could be met, would directly depend on the economic situation prevailing when they were introduced (i.e. the level of Budget surplus or deficit needed). In addition it is vital, if the forward planning of industry is not to be continually disrupted, that new taxes, as distinct from changes in tax rates, should be announced and discussed well in advance of their proposed implementation. The 1967 Resolution therefore proposed a five-year programme of tax reform and the establishment of a permanent Parliamentary Committee on Taxation. A memorandum produced at the time explained the reasoning behind the proposal:

'If the crazy complexities of our tax system are to be removed, radical changes will be needed. These will only be possible over a number of years. On the other hand, it is important for industry to be able to look ahead. What it needs therefore is a programme of tax reform stretching over a period of years, say five. The strategy for such a programme must be laid down by the Government. But its details must be worked out in consultation with industry. We therefore propose the setting up of a standard expert tax committee, drawn from industry, with the Inland Revenue to ensure that this programme is practical and fits in with industrial needs. Ideally, such a committee should be a standing parliamentary committee with co-opted outside experts'.

## THE CONSERVATIVE GOVERNMENT 1970-74

### Tax Cuts

One of the main themes of the Tory election campaigns of 1964, 1966, 1970 and 1974 was that they reduced taxes during their thirteen years of office, 1951/64, and in their 3½ years from 1970/74, and that they would do so again if re-elected. For example the Conservative Central Office's official 'Campaign Guide' 1974 stated, under the heading 'Tax Cuts and Changes'.

'If June 1970 tax rates were still in force today the British people would be paying well over £4,000 million more in taxation than they actually are. Over half the total tax deductions (£2,500 million) came from cuts in income tax and surtax'. (p. 14)

'Indirect taxes—which being taxes on spending, have a direct effect on prices—have been cut by a record £900 million. The sale of food in the shops (apart from pet food) is now tax-free. If Labour's S.E.T. (which fell indirectly on food) and Labour's rates of purchase tax (which taxed certain foods at 22 per cent) were still in force today, food would instead be subject to a total tax of £225 million a year'.

These cuts were achieved in six main ways:

- 1 A cut of 2½p in the pound on the standard rate of income tax effective from April 1971, and the introduction of a new unified income tax system

incorporating both the old standard rates and surtax rate in one graduated scheme, in April 1973.

This new system is, in many respects, in line with Liberal proposals, except that in the transitional stage it greatly favoured the better off. One example of this was the so-called £300 million handout to surtax payers when the exemption limit was raised from £2,500 to £3,000 with marginal relief above £3,000. (*March 1972 Budget.*)

- 2 The extension of child tax allowances and personal tax allowances: (see Appendix: Table 4).

Liberals have always preferred that family income be increased via family allowances since tax concessions only assist those families who actually pay tax, not the very lowest paid who pay no tax at all.

- 3 The higher starting point for the payment of tax by people aged 65 or over—'age exemption'—was raised.

In spite of this relaxation of the 'earnings rule' which applies to the wages of pensioners, the Conservatives consistently refused to abolish the rule completely.

- 4 The abolition of Selective Employment Tax and Purchase Tax and the introduction of Value Added Tax at 10 per cent, which resulted in a reduction in indirect taxation of £900 million. Liberals supported this innovation but did not approve of all the specific applications of the new tax.
- 5 Corporation tax was cut in two stages from 45 per cent in 1970 to 40 per cent in 1972 and a new system of advanced corporation tax by input was introduced in 1973. Estate duty rates were also reduced.

Liberals supported the new corporation tax rates at a time of company liquidity shortages, but opposed the reduction of estate duty.

- 6 The Budget deficit was increased by £1,400 million in 1972/73 and £1,250 million in 1973/74. The estimated public sector borrowing requirement for the financial year 1973/74 was thus increased to £4,250 million.

### Conclusion—a Legacy of Mismanagement

This was the legacy of the Conservative Government's 3½ years of tax cuts in slavish devotion to their 1970 manifesto statements:

'We will reduce taxation. . . . We will concentrate on making progressive and substantial reductions in income tax and surtax'.

In actual fact, as John Pardoe has pointed out:

'This has not happened. In 1969/70, which was the last full financial year of the Labour Government, income taxes amounted to £5,155 million. Yet the Budget papers show that in 1973/74, the fourth year of the Conservative Government, income taxes will amount to £7,593 million. Therefore, in four years the Conservatives have managed to increase revenue—admittedly, not rates—from income taxes by a cool £2,438 million. They have taken £2,438 million out of the nation's wage packets more than the thieving socialists ever dared to do. This is an increase of 47 per cent in income tax revenue in four years'. (*Hansard, 12th March 1973, Vol. 852, cols. 955-956.*)

What the Conservatives had set themselves to achieve was the phenomenon known as the 'Buoyancy of the Revenue'. A Conservative Research Department pamphlet, which has apparently not been understood by the Conservative leadership, described this phenomenon:

'A buoyant tax system is one in which the proportion of income taken in taxation increases each year as incomes rise without there being any

increase in the rate of taxation. The buoyancy of taxation, other things being equal, should mean that the Chancellor each year could bring down tax rates and still take the same share of national income'.

(*Buoyancy of Taxes on Income*, *Old Queen Street Paper*, 22nd December 1969, p.2.)

The most recent Conservative Campaign Guide 1974 claims that 'This is precisely what the Conservative Government has done'. (p.39)

However it neglects one very important aspect. When the Conservative Party came to office in 1970 the percentage of gross national product taken by taxes was 35 per cent. Three years later this had fallen to 29 per cent. Thus the Conservatives succeeded in taking neither the same percentage nor the same actual amount of G.N.P. in income tax during their term of office. Figures for the reduction in the standard rate of income tax are thus largely irrelevant to the argument.

What actually happened was that during the intervening years prices had risen by 33 per cent and money incomes by even more. With a graduated income tax structure, workers automatically move into higher tax brackets due to inflation and real wages, as happened during the wage freeze. (The increase in real wages in any period is the increase in money wages divided by the increase in prices.) It is to be expected that with inflation, the standard rate of tax will be reduced in the long run and the minimum income level at which workers have to pay income tax will be raised. This is to avoid the effects of 'fiscal drag' which, in an inflationary situation, takes an excessive amount of personal income in tax.

Therefore Conservative claims to have reduced the rate of taxation as a matter of principle are as similarly far-fetched as their claims to have achieved buoyancy of the revenue. The record of budgetary mismanagement between 1970 and 1973 was not helped by a hapless dedication to these sacred cows.

## **THE LABOUR GOVERNMENT, FEBRUARY-JULY 1974**

Labour came to power in February 1974 committed to a programme which would cost at least £6,000 million a year. It faced a balance of payments deficit of £1,470 million on current account for 1973 (equivalent to 4½ per cent of gross domestic product) and an annual rate of inflation in excess of 13 per cent. It soon became evident that the Chancellor, Mr. Healey, intended to press ahead with the tax increases needed to finance Labour's programme.

### **1 THE SPRING BUDGET—26th March 1973**

The main tax changes announced were as follows:

#### **Direct Taxation**

- a An increase of 3p in the pound on all rates of income tax, beginning at 33 per cent on incomes up to £4,500. This will produce a yield of £954 million in a full year.
- b Increased personal and child tax allowances to offset increases in taxation (see Table 4 at the end of this chapter).
- c Increased corporation tax:

Standard rate up 2 per cent to 52 per cent.

Small companies rate up 2 per cent to 42 per cent—this was later removed from the Finance Bill by a combination of Conservative and Liberal votes, at a cost of £14 million in lost revenue to the Exchequer.

Building societies, co-operative societies and housing associations remained chargeable at 40 per cent.

- d In addition, large companies were required to pay an advance corporation tax surcharge of 50 per cent at a revenue of £300 million to the Exchequer.
- e The withdrawal of tax relief on overdrafts.
- f Untaxed investment income reduced from £2,000 to £1,000.
- g Withdrawal of tax relief on second mortgages and a ceiling of £25,000 on the value of mortgage on which tax relief can be claimed.
- h An increase in the employer's National Insurance contributions increasing in the full rate of graduated contributions from 5 to 5½ per cent.

### Indirect Taxation

In spite of complaining bitterly about the introduction of V.A.T. in 1972, the Labour Government's first Budget actually sharpened its application by extending it to soft drinks, confectionery and petrol.

The total effect of the Budget was calculated to reduce the public sector borrowing requirement for 1974/75 by £1,500 million, from £4,200 million to £2,700 million. In this speech on the Budget the Liberal Economic spokesman, John Pardoe, commented:

'We do not have a progressive tax system. I do not doubt the Government's compassion and humanity, but very real questions exist about the seriousness of their approach to poverty. I find the speed of the Chancellor of the Exchequer in increasing the child tax allowances while failing to increase family allowances, a little odd. There is no doubt that people with incomes above the tax threshold will be slightly better off through the tax changes.

'... It is those below the threshold who will be really worse off as a result of the Budget' (*Hansard, 28th March 1974, Vol. 871, cols. 687-688.*)

### July 1974

the wage threshold for the seventh time in  
pted to decrease the rate of price increases.  
y 2 per cent at a loss of revenue to the Treasury  
ar. In all the July measures were calculated to add  
ector borrowing requirement in 1974/75.  
were announced a further wage threshold was  
ust and it is unlikely that such a cut in indirect taxa-  
on in prices. It is far more likely to stimulate consumer  
se inflation while companies with desperate liquidity  
problems relief to restore their diminishing profit margins without  
necessarily reducing their prices. As evidence of this we may cite the transition  
from Purchase Tax to V.A.T. in 1972 which did not lead to the expected price  
reductions.

### 3 THE REDISTRIBUTION OF WEALTH

Soon after entering office the Labour Government announced the setting up of a Royal Commission on the Distribution of Income and Wealth. In the March Budget, Mr. Healey announced his intention to legislate to implement Labour's election proposals to redistribute wealth, by introducing a Gifts Tax, to replace estate duty, and a wealth tax. On 8th August 1974 the new proposals were published.

### **The White Paper on a Gifts (Capital Transfer) Tax (Cmnd. 5705)**

The only existing tax on wealth is estate duty, which has been in operation for nearly 80 years in order to prevent vast aggregations of inherited wealth being passed on undiminished from generation to generation. But estate duty had become notorious as a voluntary tax since it is often avoided by the rich who put their wealth in discretionary trusts over which they maintain effective control, or make it over to their family or children before they die. In order to close these loopholes which have made a mockery of the duty, the Government proposes to tax equally all transfers of wealth made during the lifetime of the giver or at death. The tax will start at the same £15,000 threshold at which estate duty begins.

Although it is expected ultimately to bring in substantially more revenue than existing estate duty because it will be an unavoidable tax, it will be levied at substantially lower rates than the present estate duty.

The most important exemptions are transfers between man and wife. Capital transfer tax will not be levied on any gifts between husband and wife and their wealth will only become taxable on the death of the survivor or if he or she makes a gift of it.

Otherwise the first £1,000 of any annual bequest is exempt as are gifts out of income, and gifts up to the value of £1,000 (or £2,500 if the newlyweds are directly related to the donor).

After all exemptions are allowed for, all other gifts throughout a person's lifetime and at death are totted up and taxed progressively from 10 per cent on gifts in excess of £15,000 to 75 per cent on gifts of over £2 million.

Under present taxation law outright gifts to charity are exempt from estate duty up to a limit of £50,000 and although the Government is still considering how such gifts should be treated under the new tax, the exemption is not expected to be lower.

The 45 per cent reduction in estate duty for agricultural land and some business assets and woodlands will not be retained in the new tax, but the Government has already taken these into account in setting the lowest rates which are considerably more generous at the bottom end of the scale than the estate duty. In addition it is considering ways of providing additional relief for full-time working farmers and working businessmen.

### **The Green Paper on a Wealth Tax (Cmnd. 5704)**

The Labour Government also committed itself to introduce an annual tax on the ownership of wealth. Wealth taxes have been operating, in many cases for over 50 years, in about twenty other countries, including Germany, Switzerland, the Netherlands and Scandinavia.

Partly because there is no general tax on wealth we do not know for certain how unequally wealth is now distributed in Britain. The best estimate the Inland Revenue has been able to make is that 1 per cent of the adult population may own between 25 and 30 per cent of personal wealth in Britain.

The wealth tax is likely to be more limited in its impact on concentrations of wealth than the gifts tax.

Although no decision has yet been taken about exemption limits and rates of tax it is certain that for administrative reasons the threshold for the tax will be relatively high, probably £100,000 or more.

The proposals are published in Green Paper form as a basis for discussion, although the discussion will be about how to operate the tax, not whether there should be one.

However, a number of basic principles are set out. All realisable assets include shares, land and houses less any debts such as outstanding mortgages will be taken into account in assessing liability. There will probably be a ceiling on an individual's total tax liability under income tax, investment income surcharge and wealth tax.

### **Loopholes**

Owners of assets like businesses and art treasures, which cannot be realised in piecemeal form, will be able to defer payment but will be liable to pay interest. There is no question of exempting art treasures because this would leave a massive loophole, but there will be relief where they are made open to public viewing.

Avoidance of the tax by the setting up of trusts will be scotched by charging such funds at the highest rate of tax. The onus will then be on the trustees to claim back anything overpaid if beneficiaries are only liable at a lower rate.

One of the most important questions left open is whether married couples should be assessed jointly or separately. There is a hint that the Government favours separate assessment, although the exemption under the capital transfer tax for gifts between husband and wife may cause complications.

The Green Paper sets out two possible schemes. Both start with a 1 per cent levy at £100,000. One rises in four steps to 2½ per cent on fortunes over £5m. while the other goes up in five steps to 5 per cent at £5m. and over.

The reason for having a wealth tax as well as a gifts tax is explained by Chancellor Healey in his Forward to the Green Paper.

'One of the main purposes of personal direct taxation is to share out the burden of taxation fairly in accordance with ability to pay.

'In this country we have come to think of income as the main yardstick of taxable capacity and have sought to promote a greater equality through a progressive income tax.

'However income by itself is not an adequate measure of taxable capacity. The ownership of wealth, whether it produced income or not, adds to the economic resources of a taxpayer.

'Once the additional taxable capacity represented by the ownership of wealth is adequately brought into charge, excessive inequalities of wealth will in time be eroded and it will be possible to reduce the high rates of tax on earned income'.

Although he did not spell it out, Mr. Healey clearly meant by 'high rates' the highest rates of income tax. And this implies that one of the main redistributive effects of the wealth tax will be from those who live on unearned income to those genuinely earning high salaries.

## **LIBERAL POLICY**

### **A DIRECT TAXATION**

#### **1 Death Duties**

The ownership of wealth in this country remains concentrated in the hands of the few: three-quarters of the wealth is owned by just one-tenth of all adults. The widest distribution of ownership has been a traditional Liberal aim. Ownership breeds responsibility and power. We want a society where decision

and power are decentralised as far as is possible, and where no-one has only his labour to sell and must be the slave of owners of capital.

Estate duty provides an urgent field for reform. In his speech on taxation to the Liberal Assembly in 1967 Mr. Richard Wainwright M.P. outlined the problem:

'Of all the opportunities missed by the Governments of both the other parties a tax on gratuitously acquired wealth, successfully established in many parts of the world, including the U.S.A., Australia and Canada, is one of the saddest proofs of political lethargy and lack of courage. That the blind character of British estate duty has persisted through Tory and Labour rule shows that they do not recognise nonsense even in its crudest form. For instance if a man allows himself to die with property in Great Britain worth 1½m., estate duty will take all but ¼m. . . . But if five years before death ¾m. had been given away, then altogether, after death, no less than £925,000 of the fortune would have survived and be available: £675,000 depends upon sheer luck (and good doctrine) and a stroke of the pen'.

(21st September 1967.)

The Liberal policy for the distribution of wealth is the abolition of death duties and their replacement by a gifts and inheritances tax, of all taxes, death duty is the avoidable tax. It is an unfair tax, for the tax liability of an estate depends heavily on the luck of the testator (gifts *intervivos* are liable for estate duty if the donor dies within seven years), and on the ingenuity of his accountant. Furthermore, the principle of the tax is wrong. Liberals do not want to prevent anyone disposing of his property as he wishes. What we object to is the inequality of opportunity which the *receipt* of large inheritances generates. It is the beneficiary who should be taxed not the testator. For exactly the same reasons, and also to prevent avoidance of an inheritances tax, the receiver of a gift should be taxed.

Not only would a gifts and inheritance tax be highly effective in generating tax revenue from the least deserving members of society, but it would give a great incentive to a testator to spread his legacy far more widely. For the purposes of illustration, suppose the tax rate is 50 per cent after £1,000 and a man dies leaving £2,000. If there is one beneficiary he will be liable to £500 tax. If there are two beneficiaries, the liability is nil.

To the extent that the Labour Party's White Paper proposals for a gifts or capital transfer tax complement our own proposals we welcome it. As John Pardoe has pointed out:

'The Liberal Party has for years advocated taxes aimed at a radical redistribution of wealth. To this end we have proposed a legacy duty in place of estate duty which would be paid by those who receive inherited wealth rather than those who leave it and for a tax on all gifts during a person's lifetime. We therefore support the principle of Mr. Healey's gift tax and we are only surprised that it has taken so long for the Government to introduce a very sensible Liberal proposal.' (*Statement, 8th August 1974.*)

## 2 Wealth Tax

There has been considerable public discussion over the merits of a wealth tax. The Liberal Party is in sympathy with the theory but the difficulties of implementing it in a fair and equitable manner are enormous. On the other hand, a gifts and inheritance tax could be implemented now and would effect a gradual redistribution of wealth over a number of generations. For the future,

there is much to be said for the principle of a single unified system which taxes all capital in both realised and asset form. However, as John Pardoe said, this is unlikely to be the main aim of the Labour Party's proposal:

'Insofar as a wealth tax attempts to redistribute wealth and is not simply an act of petty jealousy on the part of socialists who prefer public ownership to popular ownership, we support it. But if a wealth tax is efficient it ought to replace all other forms of capital taxation. There really ought to be no further need for the investment income surcharge, or corporation tax of land development tax or estate duty. One single tax on wealth properly devised and administered should be both a powerful social weapon and an efficient raiser of revenue. It rather looks as though Mr. Healey's wealth tax will neither replace the hotchpotch of existing capital taxes nor raise much revenue'.

(*Statement, 8th August 1974.*)

The major Liberal commitment on direct taxation is to use the tax and social security systems to effect a redistribution of income and to guarantee a minimum income for all families. We see our scheme as embodying the fundamental Liberal principle that, rather than subsidise commodities and services, or provide them free to particular groups of poor people chosen on the basis of means testing, we wish to see the incomes of all brought up to a subsistence level. In this way, the choice of how to spend remains in the hands of individuals. A full exposition of the credit income tax scheme and the tax rates required to fund it, appears in Chapter 5—Social Security.

### 3 Regionally Varied Payroll Tax

One of the chief ways of financing the credit income tax scheme is through a regionally varied payroll tax scheme which would replace recent national insurance contributions. This has long been part of Liberal Policy and has three objectives: (1) to raise revenue for financing social security, replacing the present National Insurance stamp (which is objectionable on the grounds that it is a flat-rate tax); (2) to promote the efficient use of manpower, by giving employers an incentive to economise in manpower, especially in the areas where it is scarcest and in the types of labour which are scarcest; (3) to implement regional policies, i.e. to increase employment in regions where unemployment is above average and so ensure the fullest use of the nation's resources. In regard to regional policies, the payroll tax would be similar in effect to the Regional Employment Premium introduced by the Labour Government in 1967, with the major exception that it would be more favourable to the 'intermediate areas'—regions which are not 'congested', like the Midlands and the South East—but which are not at present designated as development areas. While it would have a similar effect to the R.E.P. in terms of regional policy, the effect of a payroll tax would be to enable reductions to be made in other taxes in addition to enabling the National Insurance stamp to be abolished; R.E.P. by contrast, has had to be balanced by large tax increases. The Tories have said that R.E.P. will be abolished when the seven-year period for which it was introduced ends in 1974. Although the new Labour Government has pledged itself to retain it, its abolition would be a disaster for areas of high unemployment. The Tory policy of improving the 'infrastructure', even if fully implemented, could not provide an adequate substitute, since infrastructure improvement may take up to a generation (e.g. if a town needs complete rebuilding).

In full operation a Liberal payroll tax would be based on a percentage of an employee's wage or salary, payable in proportions of two-thirds by the



employer and one-third by the employee. The aim of substituting a payroll or social security tax for National Insurance is to complete the transition to graduated contributions which is currently taking place and establish it as a recognised part of our tax system. As the 1962 Liberal Party Report on Taxation pointed out:

'Logically, national insurance has already become a tax. Moreover, benefits received bear no real relationships to an individual's contributions'.

We believe that our proposals to levy a social security (payroll) tax with regional variations accomplishes both these objectives in a sensible fashion. A fuller account of the advantages of this tax appears in the chapter on social security.

## **B INDIRECT TAXATION**

### **Value Added Tax**

The Liberal Party advocated the introduction of a value-added-tax on the grounds that it would fall far more equally on different goods and services and give rise to fewer distortions. Hence we welcomed the introduction of V.A.T. It should be said that because the introduction of V.A.T. has allowed the reduction in purchase tax, its effect upon prices has been very small. The National Institute for Economic and Social Research (May 1972) estimated that the overall effect of the introduction of V.A.T. on the retail prices index would be of the order of 1 per cent.

A value-added tax is broadly a tax on the difference between a firm's purchase of materials and capital equipment (which have already paid the tax elsewhere) and the value of its sales. Its *effect* is to tax final consumer spending in the domestic economy. Exports are not subject to the tax, since it is only intended to apply to domestic consumption; imports pay the tax equally with home-produced goods sold for home consumption. In its effect on the balance of payments, the tax is similar in effect to other indirect taxes like a turnover tax, a retail sales tax, and purchase tax, all of which exempt exports and apply automatically to imports. This is not (like S.E.T. which was not levied on manufacturers) an underhand way of trying to get round the provisions of the G.A.T.T., but is a quite reasonable and logical consequence of the nature and objects of the tax.

Unlike purchase tax, V.A.T. is in principle comprehensive; that is to say, instead of the tax being levied on a specific list of goods and services, it falls on all final consumer goods and services except those which are specifically exempt.

It is important both for overall control of the economy and for helping the balance of payments to have a broadly-based indirect tax covering as wide a range of goods and services as possible. The alternatives to a V.A.T. are:

- 1 a turnover tax, which has the disadvantage that it can be avoided by vertical integration and so promotes monopoly;
- 2 a retail sales tax, which has the disadvantage that is wholly collected from a large number of small units (retailers);
- 3 a purchase tax spread over a much wider range of goods and services than at present and at an equal or near-equal rate.

For purposes of control of the level of spending the present structure of indirect taxation in Britain is much too heavily concentrated on a limited number of goods (consumer durables, tobacco and alcoholic drinks). A rise in the tax on these items may be ineffective if people cut down on them and

spend more on something else, such as clothing and holidays. Also the concentration of indirect taxation is particularly unfair to the consumer durable goods industries (heavy taxation of tobacco and alcoholic drinks can be justified on social grounds, though not necessarily as heavily as it is at present). In the financial year 1973/74 it was estimated that a 10 per cent V.A.T. yielded £1,150 million, whereas taxes on tobacco and alcohol yielded £1,650 million and £1,030 million respectively.

Under V.A.T., taxes in the exporting country are not imposed on the export transaction and are refunded to the extent that they have been imposed at stages prior to exportation. The importing country is allowed to impose its tax up to an amount borne in all stages by similar domestic producers. Although the V.A.T. itself has only recently become widely adopted in Europe (France was the first to adopt it in 1954, West Germany adopted it in 1968, and all the Common Market countries are now committed to adopting it) the large European countries have always relied more heavily on broadly-based indirect taxes, such as the turnover tax and the sales tax, which can be rebated on exports, and this has undoubtedly been a major factor in their better export performance compared with Britain. The important difference is not mainly in the proportion of total tax revenue raised from indirect as compared with direct taxes, but the concentration of indirect taxation in Britain on consumer durables, tobacco, alcohol and petrol. The benefits of remission of V.A.T. on exports are felt not so much by a reduction in the price of exports (this may happen if there is a major reduction in Corporation Tax) but in charging the relative profitability of home and export sales to the manufacturer and so giving him an incentive to devote more effort to exports. A survey published in December 1969 by the Export Research Group indicates that this has been the most important way in which the German government has helped its exporters.

# APPENDIX

Table 1. Central Government Taxation

	1945-6	1951-2	1964-5	1970-1	1971-2	1972-3 (prov.)	£million 1973-4 (est.)
Income Tax	1,361	1,669	3,088	5,725	6,452	6,478	7,233
Surtax	69	130	184	240	355	350	360
Profits Tax	431	315	423	1	—	—	—
Corporation Tax	—	—	—	1,600	1,550	1,525	2,045
Capital Gains Tax	—	—	—	140	160	210	225
Death Duties	120	183	297	360	440	460	398
Stamp Duties	25	62	80	115	160	225	203
Other	37	3	—	4	3	2	—
<b>Inland Revenue</b>	<b>2,043</b>	<b>2,362</b>	<b>4,072</b>	<b>8,185</b>	<b>9,120</b>	<b>9,250</b>	<b>10,464</b>
Value Added Tax	—	—	—	—	—	—	1,150
Purchase Tax	118	338	633	1,280	1,430	1,390	350
Oil	64	201	674	1,390	1,440	1,545	1,650
Tobacco	416	613	984	1,145	1,125	1,180	1,030
Alcohol	381	379	575	930	1,005	1,070	854
Betting, etc.	—	26	32	130	155	170	190
Car Tax	—	—	—	—	—	—	120
Other	134	196	274	165	287	370	407
<b>Customs/Excise</b>	<b>1,113</b>	<b>1,753</b>	<b>3,172</b>	<b>5,140*</b>	<b>5,442*</b>	<b>5,725</b>	<b>5,751</b>
Vehicle duties	43	65	187	423	473	480	500
SET (net)	—	—	—	501	222	224	—112
(gross)	—	—	—	1,985	1,324	994	39
(repaid, etc.)	—	—	—	1,484	1,102	770	—151
<b>TOTAL</b>	<b>3,199</b>	<b>4,180</b>	<b>7,431</b>	<b>14,249*†</b>	<b>15,257*†</b>	<b>15,679†</b>	<b>16,603†</b>

Source: *Financial Statements*.

\*Customs and excise total, and also overall total, exclude import deposit transactions.

†Overall total uses net rather than gross figures for SET.

Table 2. International Comparisons of Average Rates of Tax (percentage of income)

	(Percentage of income)			
	U.K.	U.S.A.	Germany	France
(a) Single man earning £30 a week	18.7	7.2	12.3	6.4
(b) Married man, 2 young children earning £30 a week	9.2	Nil	4.0	Nil
(c) Single man with average earnings	20.6	9.0	13.6	7.5
(d) Married man, 2 young children with average earnings	12.5	0.9	6.0	0.8
(e) Married man, 2 young children earning £45 a week	16.1	3.7	8.2	2.5
(f) Married man, 2 young children earning:				
£5,000 p.a.	24.0	10.4	15.0	7.9
£10,000 p.a.	35.8	17.4	26.2	15.7
£20,000 p.a.	51.2	28.9	36.9	23.4

Source: *Hansard, 9th April 1973, written answers, Cols. 197-8.*

**Table 3. Rates of Personal Tax**

Taxable income (£)	Conservative 1973 Budget	Rate (per cent)	Labour 1974 Budget
up to 4,500	30		33
up to 5,000	30		38
5,000-6,000	40		43
6,000-7,000	45		48
7,000-8,000	50		53
8,000-10,000	55		58
10,000-12,000	60		63
12,000-15,000	65		68
15,000-20,000	70		73
over 20,000	75	(91.25 in 1970)	83
			(+ 15% on investment income)

**Table 4. Changes in Personal Allowances**

	Conservative April 1973	Labour March 1974
Single person	£595	£625 (+ £30)
Married man	755	845 (+ £90)
Wife's earned income	595	625 (+ £30)
Child - under 11 years	200	240 (+ £40)
11 - 16	235	275 (+ £40)
over 16	265	305 (+ £40)
Additional relief for children (per child)	130	170 (+ £40)

Table 5, Distribution of Wealth in Great Britain<sup>1</sup>

	1960	1965	1970
millions			
Total adult population (age 15 and over)	39.2	4.07	41.2
Estimated:	£ thousand million		
A Total identified wealth	51.6	74.3	96.8
B Identified wealth adjusted for specified assets	55	79	105
C As B, plus estimated wealth held in settlements	56	81	108
D Estimates by Messrs Revell and Roe (excluding pension rights)	65	92	n.a.
%			
Most wealth 1% of population hold:			
as % of A	38	34	30
as % of B	36	32	28
after adjustment for settlements:			
as % of C	37	32	28
as % of D	31	28	n.a.
Range of % held	31-38	28-34	(24)-30
%			
Most wealth 5% of population hold:			
as % of A	64	60	56
as % of B	61	57	51
after adjustment for settlements:			
as % of C	62	58	52
as % of D	53	50	n.a.
Range of % held	53-64	50-60	(45)-56

\*Other estimates and further discussion of the difficulties can be found in A B Atkinson, *Unequal Shares*, Allen Lane, The Penguin Press 1972 and G Polanyi and J B Wood, *How Much Inequality?*, The Institute of Economic Affairs 1974.

Source: *Wealth Tax (Cmd. 5704)* H.M.S.O. August 1974

1 No official statistics are available for Northern Ireland.

## 5 SOCIAL SECURITY

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### LIBERAL POLICY AIMS

- 1 To protect pensioners and recipients of social welfare benefits from inflation by linking all social security payments to national average earnings.
  - 2 In the long term to ensure an adequate minimum income for every household by means of a credit income tax system, and a statutory minimum earnings guarantee.
  - 3 To permanently link pensions to a percentage of average earnings and to raise pensions to an adequate level over a fixed period of time.
  - 4 To encourage the growth of occupational pension schemes.
  - 5 To implement a charter for women guaranteeing equal rights to social security and welfare benefits.
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### The Problem

The Liberal Party has always been closely linked with the concept of a welfare state; indeed it was a Liberal, William Beveridge, who played the leading part in founding the modern welfare state—just as it was Lloyd George, nearly half a century before, who initiated the first state pension.

It must be remembered that the object of the welfare state was to abolish poverty; and although no-one can deny the large steps forward in the general standard of living since the last war, the prime object of the modern welfare state remains unfulfilled. There are still a large number of people who fall below the line of subsistence as defined by the Supplementary Benefits Commission; and nearly one-third of our eight million pensioners fall below that line. There have been many attempts to define 'the poor' who are a very disparate and elusive category. The safest method is to analyse particular groups of people whose income falls below the prescribed level.

### 1 The Low Paid

In April 1973, the average earnings of all men aged 21 or over in full-time employment was £41.9. For manual male workers the figure was £38.1 and for non-manual males £48.1. These figures include overtime pay for women over 21 the figures were £23.1, £19.7 and £24.7 respectively. The following table shows the distribution of earnings in April 1973.

From Table 1 it can be seen that at a time when average male earnings had reached £42 a week, 2½ million working people still earned less than half that amount and over 4 million people earned less than two-thirds of it.

## 2: Family Poverty

Surveys of household incomes conducted during 1973 revealed similar disparities:

Total number of households in U.K. in 1971	18,187,000
Number of households (employed) with a weekly income of less than £30	3,819,300 (21%)
Number with a weekly income of less than £40	6,911,100 (38%)

Source: *Social Trends 1973*.

Excluding pensions and unemployed, at least one household in every five has a weekly income of less than £30.

## 3 Pensioners

British pensioners are among the poorest in Europe, with basic state pensions lower than in any of the original six E.E.C. countries. The level of the single pension at 24 per cent of average earnings compares unfavourably with Germany where it is more than 30 per cent of average earnings. The basic pension rates still fall below the level of weekly income guaranteed by the Department of Health and Social Security. For this reason the supplementary benefits system is needed as a reinforcement to raise the incomes of pensioners to a tolerable level. About a third of a total of almost eight million pensioners qualify for supplementary benefit whilst most of the remainder have incomes of not more than £2 above supplementary benefit level. Finally, those who take a job to supplement their incomes are taxed, and under the 'Earnings Rule', may even suffer a reduction in pension if their earnings exceed a certain amount. Before the increase announced in March 1974 the total annual cost of all social security benefits was £3,824 million (which includes the massive administrative costs necessitated by the means test system). Of this total, £2,570 million was spent on pensions. The cost of the new improvements added £1,240 million to the total annual cost.

## The Solution

The Liberal Party believes that two courses of action are required. First there must be urgent short-term action to ensure that those who are economically weak in our society, through age, infirmity or disability, are protected against the ravages of inflation. Second, that there should be a radical reappraisal of our whole social security system in the longer term.

## PENSIONS

### State Pensions—the short term solution

The essence of the Liberal approach to pensions may be summed up as 'a natural partnership between public and private enterprise'. As a matter of priority we believe that the flat-rate state pension should be sufficient to provide universal coverage for basic requirements without the need for any other supplementary payment. If this were achieved, the statutory requirement for every employed person to contribute towards a second or occupational pension would be unnecessary. Of course Liberals would encourage those people who wished to do so to take out a second pension, but there would be no need to compel this. Thus the Liberal approach to pensions reiterates the aim of the Beveridge Committee's 1942 report in seeking 'to make it the duty of the state to save its citizens from crippling want in old age as in sickness, accident or unemployment, while leaving the individual free and responsible

[CONTINUED ON PAGE 63]

**Table 1. Estimates of the total numbers of full-time adults in employment in Great Britain in April 1973 whose pay was not affected by absence and whose weekly earnings were less than specified amounts**

Weekly earnings were less than specified amounts												Millions	
Weekly earnings	Numbers with gross weekly earnings below specified amount						Numbers with gross weekly earnings excluding overtime earnings below specified amount						
	Men aged 21 and over			Women aged 18 and over			Men aged 21 and over			Women aged 18 and over			
	Manual	Non-manual	Total	Manual	Non-manual	Total	Manual	Non-manual	Total	Manual	Non-manual	Total	
Under £10	—	—	—	—	—	0.1	—	—	—	—	—	0.1	
Under £11	—	—	—	0.1	—	0.1	—	—	—	0.1	0.1	0.1	
Under £12	—	—	—	0.1	0.1	0.2	—	—	—	0.1	0.1	0.2	
Under £13	—	—	—	0.2	0.2	0.3	—	—	—	0.2	0.2	0.3	
Under £14	—	—	—	0.2	0.3	0.5	—	—	—	0.2	0.3	0.5	
Under £15	—	—	—	0.3	0.4	0.7	—	—	0.1	0.3	0.4	0.8	
Under £16	—	—	0.1	0.4	0.6	1.0	0.1	—	0.1	0.5	0.6	1.1	
Under £17	0.1	—	0.1	0.6	0.7	1.3	0.1	—	0.1	0.6	0.8	1.4	
Under £18	0.1	—	0.1	0.7	0.9	1.6	0.1	—	0.2	0.7	1.0	1.7	
Under £19	0.1	0.1	0.2	0.8	1.1	1.9	0.2	0.1	0.3	0.9	1.2	2.0	
Under £20	0.2	0.1	0.2	0.9	1.3	2.2	0.3	0.1	0.4	1.0	1.3	2.4	
Under £22	0.3	0.2	0.5	1.1	1.7	2.8	0.7	0.2	0.9	1.2	1.7	2.9	
Under £24	0.6	0.3	0.9	1.3	2.0	3.3	1.3	0.3	1.6	1.4	2.0	3.4	
Under £26	0.9	0.4	1.3	1.4	2.2	3.6	1.9	0.5	2.4	1.4	2.3	3.7	
Under £28	1.3	0.5	1.9	1.5	2.5	3.9	2.6	0.6	3.3	1.5	2.5	4.0	
Under £30	1.8	0.7	2.5	1.5	2.7	4.2	3.3	0.9	4.2	1.6	2.7	4.2	
Under £32.50	2.4	1.0	3.4	1.5	2.8	4.4	4.1	1.1	5.2	1.6	2.9	4.4	
Under £35	3.0	1.2	4.3	1.6	3.0	4.5	4.7	1.4	6.1	1.6	3.0	4.6	
Under £37.50	3.7	1.5	5.2	1.6	3.1	4.6	5.3	1.7	7.0	1.6	3.1	4.7	
Under £40	4.3	1.8	6.0	1.6	3.1	4.7	5.8	1.9	7.7	1.6	3.1	4.7	
Under £42.50	4.8	2.0	6.8	1.6	3.2	4.8	6.1	2.2	8.3	1.6	3.2	4.8	
Under £45	5.3	2.3	7.5	1.6	3.2	4.8	6.3	2.4	8.7	1.6	3.2	4.8	
Under £47.50	5.6	2.5	8.1	1.6	3.3	4.9	6.5	2.6	9.1	1.6	3.3	4.9	
Under £50	5.9	2.7	8.6	1.6	3.3	4.9	6.6	2.8	9.4	1.6	3.3	4.9	
Under £55	6.3	3.0	9.3	1.6	3.3	4.9	6.8	3.1	9.9	1.6	3.3	4.9	
Under £60	6.6	3.3	9.8	1.6	3.4	5.0	6.8	3.3	10.2	1.6	3.4	5.0	
Under £70	6.8	3.6	10.4	1.6	3.4	5.0	6.9	3.6	10.5	1.6	3.4	5.0	
Under £80	6.9	3.8	10.6	1.6	3.4	5.0	6.9	3.8	10.7	1.6	3.4	5.0	
Under £100	6.9	4.0	10.8	1.6	3.4	5.0	6.9	4.0	10.9	1.6	3.4	5.0	
Number of full-time adults whose pay was not affected by absence	6.9	4.1	11.0	1.6	3.4	5.0	6.9	4.1	11.0	1.6	3.4	5.0	
Number of full-time adults whose pay was affected by absence	1.0	0.1	1.1	0.4	0.1	0.5							
Number of part-time adults	0.2	0.1	0.3	1.7	1.1	2.8							
Total adults in employment	8.1	4.3	12.4	3.7	4.6	8.3							

(Source: D.O.E. Gazette Oct. 1973)



Table 2. Persons receiving supplementary benefit

	Great Britain							
	National Assistance				Supplementary benefits			
	1948	1951	1961	1965	1966	1970	1971	1972
Retirement pensions and national insurance widows								
60 years and over	495	767	1,075	1,239	1,631	1,745	1,816	1,807
Others over pension age	143	202	220	196	187	156	103	102
Unemployed with national insurance benefit	19	33	45	34	77	73	129	94
Unemployed without national insurance benefit	34	33	86	78	102	166	258	317
Sick and disabled with national insurance benefit	80	121	134	149	156	164	146	137
Sick and disabled without national insurance benefit	64	98	133	138	142	159	159	161
Women under 60 with dependent children	32	41	76	108	125	191	213	227
National Insurance widows under 60	81	86	58	55	59	63	65	62
Others	63	81	17	15	16	20	20	22
Total persons receiving supplementary benefit	1,011	1,462	1,844	2,012	2,495	2,738	2,909	2,929
of whom wage stopped (unemployed)	..	..	12	16	22	32	23	25

Source: Social Trends 1973

Table 3. Income of persons over retirement age, 1971

	Great Britain					
	Gross weekly income			Income from occupational pensions		
	Married couples	Single males	Single females	Married couples	Single males	Single females
£0.01 to under £1	—			9	10	22
£1 and under £2				22	30	18
£2 and under £3		1	1	12	14	13
£3 and under £4				9	15	9
£4 and under £5				9	6	10
£5 and under £6	—	1	1	8	5	4
£6 and under £7	—	18	23	8	7	6
£7 and under £8	—	19	20	4	2	3
£8 and under £9	—	13	15	3	—	4
£9 and under £10	3	11	12	4	5	3
£10 and under £12	17	15	11			
£12 and under £14	26	7	4			
£14 and under £16	14	3	3	12	6	8
£16 and under £18	8	2	2			
£18 and under £20	9	3	1			
£20 and over	23	7	7			
Total (100%) (thousands)	1,719	633	3,086	877	253	618
Median (£) <sup>1</sup>	14.6	8.8	8.3	3.8	2.7	2.7

<sup>1</sup> Calculated from banded data.

**Table 4. Family income supplement: families by size and weekly rate**

Great Britain								
26 December 1972								Thousands
Weekly rate in range (£):								
	0.20 to 0.90	1.00 to 1.90	2.00 to 2.90	3.00 to 3.90	4.00 to 4.90	5.00	All families	Average weekly rate (£)
<b>Two-parent families</b>								
1 child	3.3	4.2	2.0	1.1	0.5	0.4	11.4	1.77
2 children	4.1	5.3	2.6	0.8	0.4	0.4	13.6	1.64
3 children	2.6	4.1	2.4	0.9	0.3	0.2	10.5	1.74
4 or more children	3.3	4.3	3.2	1.5	0.6	0.6	13.6	1.95
All two-parent families	13.3	18.0	10.2	4.3	1.8	1.6	49.2	1.78
<b>One-parent families</b>								
1 child	3.1	6.1	5.9	4.5	2.6	1.7	23.9	2.51
2 children	1.2	2.0	1.7	1.1	0.6	0.5	7.1	2.34
3 children	0.3	0.6	0.6	0.5	0.4	0.2	2.6	2.67
4 or more children	0.2	0.3	0.2	0.3	0.2	0.1	1.3	2.60
All one-parent families	4.8	9.0	8.4	6.4	3.7	2.5	34.8	2.49

**Table 5. Supplementary benefits: certain characteristics of beneficiary, 1972**

Great Britain								Thousands
November 1972								
Total all benefits	Total over pension age	Unemployed		Sick and disabled		Women under 60 with dependent children	Others	
		With NI benefits	Without NI benefits	With NI benefits	Without NI benefits			
<b>Beneficiary head of household including:</b>								
Single person only	1,286	1,130	17	49	37	30	—	23
Man and wife	384	302	8	31	39	3	—	1
Man and/or wife and dependent children	277	5	33	69	15	5	135	14
Man and/or wife, dependent children and other adults	87	3	7	26	9	2	29	11
Man and/or wife and other adults <sup>1</sup>	450	355	5	24	29	15	—	21
<b>Beneficiary not head of household—residence</b>								
Household of another person <sup>1</sup>	341	62	19	101	3	86	59	11
Board and lodging	26	11	2	7	2	3	3	—
Residential homes of local authorities, etc.	39	24	—	1	—	13	—	—
Hospital	7	3	—	—	—	3	—	—
Others	15	3	1	7	1	2	—	1

<sup>1</sup>Usually sons and daughters.

**Table 6. Families and family allowance**

	<i>Great Britain</i>						Thousands 1972 <sup>1</sup>
	1946	1951	1961	At 31 December 1966	1970	1971	
<b>Families receiving allowances</b>							
All families	2,541	3,119	3,628	3,944	4,249	4,233	4,330
Families with:							
2 children	1,598	2,005	2,220	2,336	2,522	2,589	2,593
3 children	597	731	881	991	1,093	1,110	1,112
4 children	215	242	321	382	411	413	414
5 or more children	131	141	205	235	223	211	212
<b>Total number of children</b> (including first child) in families receiving allowances	6,572	7,959	9,532	10,501	11,204	11,327	11,260
<b>Families with one child</b> (estimated)	2,970	2,950	2,931	3,000	2,920	3,000	3,000

Source: *Social Trends 1973*.

<sup>1</sup>Provisional.

for planning his own life and that of his dependents above subsistence level'. We believe that principle is as relevant today as it was in 1942.

### **Labour Record and Policy 1964/69**

Under the Labour Government, 1964/69, the basic retirement pension went up from £3.37½ a week to £5 for a single person, and from £5.45 to £8.10 for a married couple. This represented an increase of approximately 50 per cent over a five-year period. During that time, however, the Cost of Living Index rose by 33 per cent. Average earnings also rose by 35 per cent. As a percentage of average earnings, pensions rose only marginally. The single pension represented 19 per cent of average earnings in 1964. By 1970 this had risen to 21 per cent.

### **Conservative Record and Policy 1970/74**

In three and a half years of Conservative Government, the basic pension has risen by 55 per cent from £5 a week to £7.75 for a single person and from £8.10 to £12.50 for a married couple. During that time, however, the Cost of Living Index rose by 33 per cent and the Food Price Index by over 50 per cent (Department of Employment Index of Retail Prices, December 1973). In addition, the index of average earnings has risen by 39 per cent. As a percentage of average earnings, pensions rose marginally as a result of the pensions increases which came into effect on 1st October 1973. In 1970 the single pension was equivalent to 21 per cent of average earnings. After the October 1973 increase it was equivalent to 22 per cent. Since October 1973, however, average earnings have risen to £42 for men, and the single pension therefore slipped back to 19 per cent of this figure.

The Conservative Government, however, made three welcome initiatives. It instituted an annual review of pensions, the first of which was in 1972. It also transformed the flat rate contribution under the National Insurance scheme, which bit hardest on the low paid, to a graduated scheme, and it introduced a pension for the over eighties.

Conservative policy towards the state pension is pragmatic in that although it allows for an annual review of levels, there is no stated criterion by which new pension levels are to be fixed. Neither do they have an overall strategy to aim at. They certainly do not share the Liberal belief that the first aim of the state pension must be to provide an adequate living allowance regardless of other sources of income. Apart from the measures outlined above, the main drive of Conservative policy has been directed at establishing a universal occupational pension scheme. Liberals believe that this is not the first priority.

### **Labour's Record and Policy 1970/74**

Labour's election manifesto committed the Party to introduce a pension of £16 for a married couple and £10 for a single person. This was announced in the March 1974 Budget and came into effect on 22nd July 1974. At the time of implementation the new rates represented 38 per cent and 24 per cent of national average earnings respectively. By October 1974 when the new New Earnings Survey is expected to be published average earnings are expected to have reached £45 for men. Thus the value of the new pension rates will already have fallen to 35 per cent and 22 per cent of average earnings. Although there is provision for reviewing these levels with increases in the cost of living, neither Labour nor Conservatives have yet committed themselves to

permanently relating pensions to a percentage of average earnings. John Pardoe made this point in the Budget debate:

'What is the Government's target? What do they believe is the level for a married couple to live on as a proportion of average industrial earnings which is commensurate with a humane civilised and compassionate society? The target must be at least half average industrial earnings. I do not suppose we can get to that immediately, but it would be helpful to have an announcement from the Government that that is what they are aiming at in the long term, by which I mean from five to seven years hence'.

*(Hansard, Vol. 871, col. 687.)*

### **Liberal Policy—State Pensions**

Since 1963, it has been official Liberal policy to permanently link the value of the state pension to average industrial earnings. The 1963 report of the Social Security Panel, 'Security in a New Society', called for a pension for a married couple of 50 per cent of average male earnings, with a corresponding increase (to 33 per cent) for single persons. The new levels of pension would be reached through seven annual stages of transition. Thus at the end of the transitional period, the married couple with average earnings would be able to retire on half pay, with annual increases equivalent to rises in average earnings.

The 1963 report also called for the abolition of the earnings rule, and this policy has been reaffirmed frequently since then. Finally, the report envisaged financing the scheme by abolishing all national insurance contributions and replacing them with a graduated Payroll or Social Security Tax with employers paying two-thirds and employees one-third of the total contribution. This tax would be regionally varied, falling more heavily on the congested regions of high pay.

### **Phase 1**

Here the target is to raise pensions to 50 per cent of average earnings for married couples and 33 per cent for a single person. This would be achieved during the interim period of five years before the full introduction of the Credit Income Tax scheme, and would mean a pension of £22.50 per week for a married couple and £15 for a single person at present standards, taking the average wage as £45 per week. The total cost of this scheme would be approximately £1,400 million per annum, allowing for the reduction in the amount of supplementary benefits required.

### **Paying for Phase 1—a Regionally varied payroll tax**

The existing method of paying for national insurance benefits is confused. The combination of a flat rate contribution and a graduated contribution is untidy and sometimes unfair. The most recent uprating of pensions and national insurance benefits was paid for by increasing the national insurance contributions, with the Exchequer continuing to pay the equivalent of 18 per cent of the income from employers and employees. Employers flat rate contributions in respect of men are increased by 44p per week. The full rate of employees contributions is raised from 5½ per cent to 5½ per cent, and the weekly earnings limit for graduated contributions is also raised from £54 to £62 which is about 1½ times current average earnings. Above this limit the employee's contribution becomes flat rate.

The net effect of these changes are to exacerbate the bias in favour of the well paid. Under the new contributions a man earning £20 a week pays 6.8 per cent of his earnings in national insurance contributions. A man earning £30 a week pays 6.3 per cent; at £40 a week he pays 6.1 per cent and at £50 a week 6 per cent. The self-employed are even worse hit: a man earning £24 a week now pays 10 per cent of his income in National Insurance contributions. If he earned £50 a week he would still pay the same amount to just under 5 per cent of his earnings. The Labour Government's policy has dealt a terrible blow to the self-employed man on low wages.

The Liberal Party has long been in favour of abolishing National Insurance contributions in favour of a graduated percentage Payroll or Social Security Tax. The advantages of a Social Security Tax are that it ensures that national insurance contributions and benefits increase automatically in line with increases in earnings and, being regionally varied, a higher rate of tax on those in congested and (mainly) high-paying areas, which is both fair in terms of regional prosperity and provides an incentive to industry to move into development areas.

The contribution of employers would vary according to whether the company was situated in a central area, intermediate, development or depressed area. To finance our phase 1 proposals we would need to raise an extra £1,400 million plus around £700 million for the raising of other National Insurance benefits. Assuming that the Social Security tax would be paid two-thirds by the employer and a third by employees, which would of course be regionally varied. The lower paid would thus pay slightly less than at present but those above average earnings would contribute considerably more.

### **Phase 2—The Long Term Goal**

When our credit income tax scheme is introduced after the 5 year period of transition, each retired pensioner would be entitled to three credits:

A personal credit—equivalent to the existing personal allowance offset against tax.

A housing and rates credit—covering both rent and rates, regionally varied and with special provision for dependants.

An age credit equivalent to the basic pension.

Each credit would be subject to half-yearly review and the total income from the three credits would be equivalent to at least two thirds of average earnings for a retired married couple and 50 per cent of average earnings for a single person.

### **Paying for Phase 2—a Credit Income Tax Scheme**

At this stage, it is difficult to foresee the precise overall cost of the Credit Income Tax scheme—of which Phase 2 of our pensions plan is a part, or the exact levels of the credits which would have to be adjusted according to changes in earnings. A model scheme has been drawn up, however, which envisages that the scheme will be financed by a slight overall increase in basic tax and social security payments from 36 per cent including National Insurance contributions, to 35 per cent, plus 6 per cent as the employee's contribution to the Social Security Tax.

## **Retirement and the Over Eighties.**

The Liberal Party favours the abolition of the 'Earnings Rule' (Loss in revenue £135 million per year) and also the reduction of the retirement age for men in stages to bring it in line with that of women. It also favours a flexible retirement age with the option of retiring at any time after the official retirement age. We would also work to extend the full pension to the 125,000 persons, over 80, who do not receive full pension. At present single persons who do not qualify for the full pension under the National Insurance Scheme receive £6.00 per week. An additional £3.70 is payable to married women. In addition, all pensioners over the age of 80 receive an "age addition" of 25p per week regardless of whether or not they are within the National Insurance Scheme.

## **Summary**

The Liberal scheme is ambitious and radically different from the policies of other parties. It aims in the short term to provide a state pension set permanently at subsistence level without the necessity of supplementary benefits, by linking pension rates to the index of average earnings. In the long term, it aims to provide all pensioners with an adequate income as of right through the Credit Income Tax scheme.

## **Occupational Pensions**

Because the first priority for the Liberal Party is to ensure that the basic state pension is sufficient to provide universal coverage for basic requirements without the need for supplementary benefits, we have not placed as much immediate importance on the development of occupational schemes as the other two parties. While both have introduced proposals for compulsory occupational schemes, the Liberal Party has been prepared only to encourage the development of occupational schemes, ensuring that every employee, who so wishes, is able to contribute towards a second pension.

## **Tory and Labour Policy**

Both the Labour and Tory policies for pensions are based on the acceptance that the level of pensions is inadequate, and are designed to overcome this problem in the comparatively distant future. Because of this inadequacy a measure of compulsory saving over and above the basic has been proposed by both parties. Labour's solution (the Crossman plan) was to create an earnings-related scheme, with the possibility that, through contracting out, part of the benefit might be provided by occupational schemes. The Tory solution is to put the emphasis on occupational schemes but those not covered by an occupational scheme, which has to meet minimum requirements and standards, *must* join a modest reserve scheme organised by the Government. But these schemes accept the inadequacy of the state's provisions and use occupational schemes to make up the shortfall—unlike the Liberals who, as indicated above, by making the states' basic pension adequate, avoid the need for compulsion as far as occupational schemes are concerned.

## **Summary of the Present Situation**

At present there are about 65,000 occupational pension schemes in the U.K. of which four fifths now base their retirement pensions on final salary. The number of people covered by schemes is 11 million which represents a drop of 1 million since 1967.

## **The Conservative Government 1970-74**

The Tory pension plans were formalised in the Social Security Bill which became law in July 1973. In particular, it provides that all employees will have a second pension (in addition to the state basic pension) either through an employer's occupational scheme or, failing that, through the new State Reserve Scheme that is to be established. The scheme will be run independently by the Reserve Pensions Board which administers the State Reserve Pension Fund. The contributions to this fund will be as follows—for employees 1.5 per cent of their salary and for employers 2.5 per cent of their total wage bill. The Occupational Pensions Board will set down *minimum* standards and regulations which private schemes must meet to be acceptable. The Government's avowed intention is to encourage firms to do one of two things—either start or improve their own occupational schemes. They have, however, gone about it the wrong way. The correct way to organise a partnership with private schemes is not to set standards so low that there is an expansion of private schemes because even the most reluctant employers will set up their own schemes. The better solution is to have a scheme, where Government intervention is negligible which works in tandem with those private schemes which can meet the higher standards of public competition. This the Liberal's Central Account Arrangement does.

Among the other criticisms of the Tory scheme is that it does not cater for the self-employed and the pensions are only preservable *not* transferable. i.e. instead of transferring your pension rights from one scheme to another when you change jobs, they are only preservable. Hence on retirement you receive a number of small benefits! The scheme starts in April 1975.

## **The Labour Policy**

Despite six years of Government, 1964-70, the Labour administration failed to produce its much vaunted pension plan, until just before the 1970 election. This was known as the 'Crossman Plan' and seems to have now been abandoned as impracticable by the Labour Party. The main criticism was that the plan was not properly funded.

Nevertheless the new Secretary of State for the Social Services, Mrs Barbara Castle announced on 7th May 1974 that the provisions of the 1973 Social Security Act would be abandoned in so far as they related to the building up of a second pension for all employees. (Hansard Vol 872 Col 208).

This process was due to have started in April 1975 and many firms had already begun to make arrangements to meet the requirements set out by the previous government. While Mrs Castle may feel justified in this stand and while the Liberal Party is opposed to the philosophy of the Conservative Act as it stands, her action has meant that firms and employees are left in complete uncertainty with no clear guidance for the future.

Dr. Michael Winstanley, speaking on 1st July 1974 in the Debate on the 2nd Reading of the Social Security Amendment Bill put the Liberal view:

'The volte-face is the third change of policy in seven years. First we had the late Mr. Richard Crossman's proposals, then we had the year of the right hon. Member for Leeds, North East (Sir K. Joseph) and now we have the right hon. Lady's reign. This latest change of policy will cause the utmost confusion and uncertainty in occupational pension schemes. Indeed, it has caused confusion and uncertainty and has done great damage already.



'Many firms will be pressing on with their recommended pension schemes, evolved as a result of the 1973 Act but which may end in further confusion when the proposals in the White Paper are published, when they may find that they have pressed on to no purpose. The right hon. Lady says that many firms were apathetic to the previous scheme and that not one recognition certificate had been applied for. That does not match the information we have been getting from pension firms. The industry believes that a massive impetus was building up following the heavy advertising campaign earlier this year. In any case, approval did not have to be sought until much later, and there is already considerable evidence of many of these schemes coming into being.

'There is no indication of what is to be the role of occupational pension schemes. Is the first priority to be an adequate State pension with occupational schemes as a fall-back? If not, how much pressure is to be exerted on employers to institute their own schemes rather than fall back on the State reserve scheme?

Would it not be useful to arrange tax concessions to companies which institute their own approved schemes? Could we not do something to encourage such schemes?'

*(Hansard, Vol. 876, col. 67-68.)*

And later in the debate Dr. Winstanley went on:

'... the Government claim that it would be impossible to retain the State-reserve scheme as it was under the 1973 Act and build on that. We have been given no evidence to justify that view. We maintain that we could have avoided all the confusion and uncertainty by carrying on with the other Act, inadequate though it was, and building on it. Since no evidence has been produced to convince us that this would have been impossible we cannot support the Government's attitude.'

*(Hansard, Vol. 876 col. 71.)*

This is yet another example of doctrinaire socialism in action without any regard for replacing what it destroys with any constructive proposals.

### **Liberal Policy—the Central Account**

If the level of basic pension which Liberals want were achieved then people would, on retirement, be receiving an adequate pension. The Central Account Arrangement for those not covered by an occupational pension, becomes in these circumstances of greatest significance to those who want to retire on at least half-pay but whose earnings are above the national average. The Liberal proposals would enable them, if they wish to do so, to put themselves in a similar position to those covered by an occupational scheme. But once there is an adequate basic pension, the arguments for compelling further saving is greatly weakened.

### **The Central Account**

In 1956 the Government decided to help the self-employed to make provision for retirement. They were allowed to set aside up to 10 per cent of their earnings in premiums for a retirement annuity and to have the premium deducted for tax purposes. This was also extended to employed persons without occupational pension schemes. At the 1960 Liberal Assembly a resolution was passed whereby those not covered by an occupational scheme set aside up to a fixed percentage of their earnings in one of those retirement annuities and are thus

entitled to receive a matching contribution to the annuity from a central account. This central account would be administered by the Government but financed by a levy on all employers without an occupational scheme for their employees. It is suggested that contributions from employees of up to 3 per cent of earnings should be entitled to the matching contribution from the central account.

### Advantages

Such a scheme has a number of advantages :

- 1 It is *voluntary* for employees.
- 2 The question of basic pension is quite separate from that of any further provision.
- 3 There is no Government subsidy or cost to the taxpayer.
- 4 There is no barrier to private schemes. In fact it does encourage the expansion of private schemes of a much higher standard than under the Government's State Reserve Scheme.
- 5 There would be no actuarial problem for the state.
- 6 There would be no state funds for 'backstairs nationalisation'.
- 7 Most important, opportunity for the man left out of occupational schemes is provided so that he can cover himself on equally advantageous terms.

### The Time Scale

The Liberal plan for an increased basic pension coupled with the central account arrangement, provides an adequate pension and allows for the individual to take up or reject the opportunity for making further provision for his retirement. The state's role is minimal in our plan and there would be no accumulation of vast sums in the hands of the Government.

As Dr. Michael Winstanley has said in the House of Commons :

'Our position is clear. We are in favour of adequate basic pensions without the need to apply for supplementary benefits by those who have no other source of income. That is the first priority. We are in favour of the abolition of the earnings rule as an interim measure before our basic pension targets are reached. We support the equalisation of the retirement age for men and women and a gradual reduction in the age to 60.

'Once the basic pension is adequate the case for a compulsory occupational pension is weakened, but we favour the encouragement of occupational schemes plus the opportunity for employees who wish to contribute but whose firms do not run such schemes to join a central account, supervised but not run by the Government and funded jointly by the employers and the firms without schemes of their own'.

*(Hansard, 1st July 1974, Vol. 876, col. 68.)*

Any new scheme will have to be fitted into existing occupational schemes if we are to avoid the disruption which has bedevilled the pensions industry in the last ten years. This means that we ought at present to seek to build on the existing scheme until such time as basic pensions are sufficient to enable the Government to withdraw the element of compulsion which currently exists and to introduce something akin to the Liberal central account arrangement. Dr. Winstanley summed up the Liberal position in supporting a motion regretting the Labour Government's decision to scrap the 1973 Act :

'We accept what the Government have said about the inadequacy of the previous state reserve scheme. We nevertheless also accept that there is

great merit in occupational schemes and we believe that, where possible, they should be encouraged, given the current basic pension rates and the chaos in the occupational pension sphere. . . . Might it not be better now to accept the idea of compulsory and universal commitments to occupational schemes and some kind of state-run reserve scheme? That is a possibility. We have expressed our preference'.

*(Hansard, 1st July 1964, Vol. 876, col. 69.)*

## **FAMILY POVERTY**

However, the pensioners are by no means the only 'hard case' in our society. Areas of particular need are the poorer family (and in particular the one-parent family with a parent of either sex); handicapped—that is, those not seriously disabled who are not adequately catered for by the 'Special Attendance Allowance'; widows of all ages, who at present are receiving a new Tory pension which is clearly quite inadequate, and those who require much more help of other kinds, such as retraining.

## **Fallacy of Subsidising Food**

The Liberal Party was therefore opposed to much recent Tory legislation. We opposed the increase in prescription charges, the abolition of free school milk, and the increase in school meals charges. Neither does the Liberal Party believe in extension of means testing which these policies, the Family Incomes Supplement and the Rent Rebate and Allowance system involve. The merit of these systems in Tory eyes is that either they save money at the expense of the not so well off or, that they give help to the poor for the minimum cost—the total cost of F.I.S. is only around £10 million a year.

## **Family Allowances**

The Liberal Party has always maintained that the most effective ways of tackling poverty is to increase family allowances and, above all, to extend family allowances to the first child. This would give substantial aid to all poorer families.

## **Widows and Women without Support**

The 1966 Assembly also called for a widows pension of not less than half the husband's earnings (up to a reasonable ceiling); for widows with dependent children and for widows below pensionable age in their first six months' widowhood (also widows benefits). There must also be more help made available for divorced and separated wives and we would like to see benefits those women with the same rates paid as if they were widows.

Finally we unequivocally support the recommendations contained in the *Finer Report* for an adequate income for one-parent families which we would seek to implement through our credit income tax scheme.

## **Disability**

Disabled persons and the chronically sick have, together with the physically and mentally handicapped, had a very rough deal in our society.

Of all our welfare problems this is one of the hardest to deal with: the Liberal Party has no easy solution; and it recognises that 'cash provision' alone is only part of the solution.

At present there are a number of different benefits available, including the special attendance allowance, which is far too restricted in its scope; the constant attendance allowance; injury and disablement benefits.

One of the first actions Liberals want to see is the extension of attendance allowance to many of those who are handicapped without necessarily being incapacitated. It must also be said that the present rate of £8 as the maximum special attendance allowance for a person requiring constant attention day and night is still too low.

### **Legislation**

Legislation is required to provide national funds so that the provisions of the Chronically Sick and Disabled Persons Act of 1970—and in particular the registration of disabled persons—are properly carried out. (See chapter 6, Health and Welfare.)

### **Free Telephones**

An extension of the service of free telephones is urgently needed—and so is a comprehensive system of alarm calls—preferably through an alarm which is carried on the person—so that sick or disabled people can summon help in the case of sudden accident.

Liberals, above all, recognise that no amount of government planning and expenditure can ever replace the need for attention to the smallest detail in helping the old, the sick and the disadvantaged.

These are at least some of the immediate short-term steps that could be taken. Of course, we recognise that they are expensive. The largest items of expenditure would be the pension increases and the extension and enlargement of family allowances. It may not, in present economic circumstances, be possible to do all these as soon as we should like but we do not believe that without substantial redistribution of wealth in society any kind of long-term social or industrial peace is possible.

## **LONG TERM POLICY**

### **Social Security Reform and the Tax Credit Scheme**

Over the past five years, the Liberal Party has been increasingly concerned at the apparent failure of the present system of social security to eradicate hard-core poverty. About one person in ten still commands resources that are less than the minimum which the Government accepts is necessary for subsistence. Even more alarming is the fact that able bodied people in employment form a high proportion of the poor, and that those who have worked for a lifetime have not managed to accumulate sufficient resources, privately or through state insurance, for their relatively short period of retirement. It has become clear in recent years that these people are actually trapped in their poverty situation by the network of taxation and social security provisions that, ironically, are supposed to help them. There are approximately 44 means tested benefits available. The most commonly claimed means tested benefits have been:

- Family Income Supplement (F.I.S.)

- Rent rebates

- School milk

- School meals

- Optical, dental and prescription charge exemptions.

It is therefore possible for a family earning an extra £1 a week to lose 50p of F.I.S. and 25p or 17p of Rent rebate (the larger figure applies to those who are worse off under the provisions of the Housing Finance Act). They may

lose 60p worth of free school meals. They will probably lose some of their rate rebate. If they are unfortunate enough to fall into the income tax bracket as a result of this pay rise they could lose another 30p in tax.

The net result is that some low income families have a marginal tax rate (that is the extra tax or loss of benefit for every extra pound earned) which is as high as a family paying surtax at top rates; and it is quite possible to be *worse off* after a pay rise.

This situation has two consequences. The first of these is to destroy incentives. If a man finds that he is no better off in post-tax terms when he earns more and more money, then he soon realises that there is no point in making an effort. The second consequence is inflation. The only way a man can escape from the poverty trap is by making a really big jump in earnings. Hence we find claims for 40 per cent increases and upwards in the pipeline.

This crippling inflation, this kind of means testing has been clearly shown to be an aggravation of the problem, not a helpful solution for the low paid.

### **The Liberal Alternative**

The Liberal alternative to this situation rests on two simple ideas:

- 1 That it must be possible for everyone to receive a reasonable entitlement as of right, to 'credits', operated through the tax system without the need for 'means tests'.
- 2 That such a Tax Credit system should redistribute wealth simply and effectively from the richer to the poorer, through the measures of taxation; but that the tax rate should not be so high as to damage the legitimate incentive to earn more—especially for the lower paid.

Under the Liberal plan, the disgraceful situation outlined above, where a man could lose more 'benefits' than the extra money he earned would entirely disappear.

Under the proposed Liberal scheme, there would be three kinds of 'credit'—paid as of right and *not* as a result of means tests.

#### **1 Basic Credits**

To replace child tax allowances, family allowances and all personal allowances. Everyone would receive them.

#### **2 Social Credits**

These would be paid—through the same system, *as of right* to all those who were sick, or unemployed.

An *Age Credit*, together with basic and housing credits would replace the pension, and be payable as of right to all over retirement age. The system of Social Credits would almost entirely do away with the need for means tested supplementary benefits—which the Government's proposal will *not* do. However, since no system however carefully designed can ever be perfect, there will remain a residual supplementary benefits system to help those such as the 'Shipwrecked Mariner', whose need is temporary and unforeseen.

#### **3 Housing Credits**

It should be possible to design a system of housing credits to replace the present system of mortgages interest reliefs, rent rebates and allowances, and rate rebates. The present system gives a great deal of help to the owner occupier; it also gives large theoretical help to low paid tenants—but the

benefit is claimed back so that these same people have their earning incentives damaged—as outlined above.

The Liberal Party wants to treat owner-occupiers and tenants with more equality: and whilst it is fully recognised that there are many difficulties in doing this, it is right that as a matter of principle we should urgently seek a solution.

The system of credits would operate as follows:

**Basic Credit.** The basic credit is the only credit that the Tory Party proposes to pay through the tax credit system. It replaces personal allowances, and the suggested rates in the Government's Green Paper were £4 single persons; £6 married couple; and £2 for each child.

Liberal taxation policy has always been to treat the married couple for the purposes of taxation as two individuals. The Liberal Party would recommend therefore, that the married couple's credit should be double that for a single person—or £8 on the last Government's figures.

Child credit's to mother—alters balance of power between men and women.

Even this limited improvement would bring substantial help to the lower paid. In the *long term* the Liberal Party would like to see a tax credit system where the basic credit entitlement was at subsistence level; at present no one can be sure what credit level would be on the introduction of the scheme—the Conservative Government's figures were, they said, 'illustration only'.

Of course it must be that the possible levels will depend upon the growth in the economy. But even the limited objectives set out here can bring about a real change in our society. Below is a table which outlines the constraints in any such policy.

Examples of credits and their extra cost above what is envisaged in the tax credit Green Paper.

Basic Cost		Extra cost £s Million Approx	Added on Income at 1974-75 (Ests.)	Resulting Standing Tax Rate <sup>1</sup>
Single	Married			
4	8	1212	2.75%	32.75%
5	10	2898	6.45%	36.45%
6	12	4584	10.00%	40.0%
7	14	6270	13.55%	43.55%
8	16	7956	17.15%	47.15%
9	18	9642	20.75%	50.75%
10	20	11328	24.35%	54.35%

Total U.K. Income figure from employment and self employment = £47,000 million (approx)

N.B. figure for 1974-75

1% tax yield = £470 million (approx)

<sup>1</sup> Note the tax credit scheme is based on the principle that *all* income is taxed. The Conservative Green Paper envisaged that a 30% rate would be sufficient.

## SOCIAL CREDITS

The idea of the social credit is to abolish poverty. Their purpose is to identify all the areas of need and provide an automatic entitlement to benefit on a generous scale. There is no question of a means test. A person who is unemployed, sick, widowed etc. at present receives unemployment, sickness or widow's benefits for a limited period of time, and is then thrown back upon a means-tested supplementary benefits, or upon invalidity benefit. Under our

tax credit proposals, such a person would only need to claim the benefit and it would be paid automatically through the credit system as long as the period of sickness, unemployment etc. lasted.

The exact rate of credit will of course depend on the economic situation when they are introduced—the aim is, however, that the total credit entitlement of basic and social credits should amount to not less than two-thirds average industrial earnings for a married couple, i.e. the minimum income requirement. Liberal credits will of course be raised at regular intervals in direct proportion with the increase in average earnings.

Social credits would be available to unemployed, sick, disabled, widows and pensioners. In the case of pensioners, the age credit would replace the pension.

There are a number of subsidiary benefits which could also be administered through the tax credit scheme—such as maternity and special widows benefits (e.g. death grants), industrial injury benefits and special measures for the disabled.

It is also Liberal policy that there should be a statutory minimum income at two-thirds average earnings (above £27 a week). The Liberal Party introduced a Minimum Income Bill in the House of Commons in 1973.

A man re-entering employment on this minimum income would thus, with the proposed Liberal tax rate, replace his social credit and maintain his family at, or above, the levels set out above.

### **Earnings Related Supplement**

It is agreed that there may be a case for retaining an earnings related supplemented scheme—perhaps on a six-month basis as at present. The Liberal Party is considering a scheme at present which might take the formula that the total credit entitlement should be paid on the flat rate basis *or*, for instance, 85 per cent of personal average earnings up to a maximum figure; whichever is the greater.

### **The Age Credit**

Under the Liberal Plan, the pensioner would receive a total credit entitlement which will ensure that a married couple is maintained at two-thirds average earnings and a single pensioner at half average earnings. At present that would mean about £27 and £20.50 respectively. Allowing for the payment of housing credit, that would mean the age credit would be about £16 for a married couple and £14 for a single person.

### **The Disabled**

It should be noted that the effect of replacing, for instance, the present special attendance allowance with a social credit would be to revolutionise the situation of disablement benefits.

### **Retraining**

Liberals have long argued that retraining is quite different from unemployment. This being so, retraining credits have no place in a social security system since the persons concerned are in employment. Accordingly, it is proposed that the state should actually employ the persons in retraining and pay them a taxable wage as the private employer training his labour is expected to do at present. The financing of this could be accompanied by a levy on turnover, sales or payroll payable by private employers whose retraining schemes were

inadequate. Machinery for this already exists in the training boards, who could be obliged to pay a part of their revenues into the state wages scheme for workers being retrained.

## HOUSING CREDITS

It must, in all fairness, be said that the chaos which was allowed to develop in the whole field of housing during the last four years—the unprecedented inflation in the price of land and houses, and the many inequities and lack of provision in the rented sector—have made it hard to provide any satisfactory aid to owner-occupiers or tenants. However the stabilising of house prices over the last twelve months makes estimates of individual requirements a little clearer.

The plan towards which the Liberal Party has been working is generous: A system of housing credits would replace all existing housing allowances, tax reliefs, rent and rate rebates and would set out a level enabling people without other means to afford the average fair rent. They would be regionally varied to take into account differing levels of cost and rent, and they would also be varied by size of family. No-one would be able to claim a tax credit greater than the interest on his mortgage. In all it would be a *fairer* system than the present mortgage relief system.

The credit—like all other credits—would be paid *as of right* to all those paying rents or mortgages. The means testing and disincentives to low paid tenants would end. A Liberal Government would phase this scheme in close association with the building societies in order to protect all those with existing mortgage commitments.

Here again, the exact levels of credit will depend on the economic situation—and will, in any case, be varied by region. As a rough indication, we estimate that the average credit might be around £2.50 for a householder with supplements of 65p for the first and 60p for each subsequent child. This credit, it must be stressed, would be higher in some regions, and lower in others.

Average Tory rent rebates were under £1 and average mortgage relief is about £1.20. It must be admitted that average mortgage relief on a new mortgage is substantially higher than our credit for the childless family; and if the housing situation does not stabilise and mortgage interest in addition remains at its unprecedented level, it might be necessary to take further measures to *protect* those who had already engaged themselves in payments under these difficult circumstances.

On the other hand, it must be said in defence of the scheme that there are signs that, if it were introduced in, say, 1975, the mortgage situation might be such that the proposed level of credit at the prices of the day would be adequate for even first-time buyers, as well as being generous to the tenant.

Under the present scheme, for instance, a couple with two children and a low income of only £25 a week can claim means-tested benefit, on a rent of £4 a week, of £2.84. They would receive, without any special means test, a credit of around £3.25 under the Liberal Plan.

It is true, in theory, that vast rebates were possible under the Tory means tests; but these are mostly for families earning £15 a week or less, and Liberals have other plans to ensure that these starvation wages, where they still exist, are ended, through legislation for guaranteed minimum earnings.



## Regional Variations

For the purpose of illustrating this scheme, a very rough division has been made as follows:

- Zone A Greater London
- Zone B Rest of the South East
- Zone C Scotland
- Zone D West Midlands, East Anglia, South West, other conurbations in England
- Zone E All other areas (excluding Ulster).

## THE COST

We do not suppose that all this can be done in a day. We do not say these solutions are simple. But, nor do we say that it need take ten years or even five. The problems of poverty, welfare and taxation are complex, but not insoluble.

The last government said that its own very limited scheme would take five years to introduce—largely for 'administrative' reasons. The Liberal Party will press for the scope of the proposals to be enormously widened to incorporate our social and housing credits, and we shall press the Government to implement such a scheme in less than five years.

In order to pay for the scheme we shall have to tax more heavily than at present. The Liberal Party accepts this, and believes that, within reasonable limits, a policy of higher taxation to achieve a fairer welfare society is desirable.

It may be desirable to 'claw back' benefit—as both Labour and Conservative Parties have done in the past. That is to say, it may be necessary to take benefits away as a person earns more at a rate higher than that of standard rate tax (33 per cent at present). The reason for this is quite simply that the cost of *not* operating a 'claw' may be too great to be borne. This will depend on the economic position at the time.

However, the Liberal Party is determined that under *no* circumstances shall any person lose more than 50p through loss of benefit and taxation for an extra £1 earned (i.e. a 'marginal tax rate' of 50 per cent).

It has been estimated that a combined income and social security tax of 40 per cent plus a recasting of V.A.T. (but not on food) would be sufficient to operate the scheme. This Liberal scheme would distribute wealth more fairly and effectively than the Conservative proposals (income tax 30 per cent and national insurance contribution  $5\frac{1}{2}$  per cent) and would mark a significant improvement on the present Labour Government's performance. The Green Paper on Tax Credits of 1972 suggests that it would be necessary to find around £1,300 million extra to pay for the proposals; and the then Chancellor, Mr. Anthony Barber, said that he saw no reason why this should not be easily achieved from the normal growth of the economy. The Liberal proposals would seek a sum which exceeded this by about £800 million. It may well be possible to achieve this without recourse to further taxation. However, the Liberal Party would be ready to derive extra income from the yields of a gifts and inheritance tax, site value rating and other measures intended to divert some of the wealth of holders of capital and real estate back to a vast body of the working population who are in need.

For example, the abolition of zero rating except for food, fuel, power and water and daily and weekly newspapers plus exports would raise the yield on V.A.T. alone by some £650 million, making a total V.A.T. yield of £2,150 million instead of the £1,500 million raised by V.A.T. and purchase tax in 1973-74. A

selective withdrawal of V.A.T. subsidies on transport (except for essential public transport services, construction and publication, would achieve this.

### **A Critique of the Tory Tax Credit System**

The Tory Green Paper 'Proposals for a Tax Credit System' (Cmnd. 5116) was published in October 1972.

The Tory proposals derive their inspiration from long-standing Liberal policy dating back to 1950—a policy that was spelled out in detail at the Margate Assembly in 1972.

### **Limitations of the Tory Scheme**

But Mr. Barber was very cautious. His very modest scheme (by Liberal standards) was to take five years to implement and excluded the relatively small but significant percentage of the population, who do not at present pay tax.

Despite the claim that 90 per cent of the population will at some time or other benefit from the scheme, it *excludes* self-employed persons, except one of the main national insurance benefits, and all employees earning less than £8 a week. This may seem a reasonable starting point and compliments the Government's pension proposals under which the minimum qualifying level for contributions to the new scheme would be set at this level—about 25 per cent of average male industrial earnings.

The Child Poverty Action Group have estimated, however, that up to a million people may fail to qualify for the new scheme. By placing a threshold for qualification for this scheme the Conservatives are in effect excluding the people that need most help.

Another consequence of the limited scope of this scheme is that supplementary benefit is to be retained as before and not merely as a scheme of emergency aid, as Liberals suggest. So the national assistance scheme is to remain, with taxable credits supplementing earnings-related benefit and national insurance benefit, while those ceasing to qualify for national insurance benefit would still have to apply for supplementary benefit.

Liberals would sweep away the existing scheme of national insurance and supplementary benefits and replace it with a comprehensive non-discriminatory system of social credits available to all persons on the basis of need alone. One of these credits would be an earnings related credit equal to about two-thirds of previous earnings, less tax.

Instead of leaving two million pensioners on supplementary benefit, as the Conservative scheme will do, Liberals would provide a pension linked to average national earnings (an 'age credit') which would be payable in addition to the single person's credit and would ensure an adequate income for all pensioners.

### **Means Tests**

The Conservatives have made no real attempt to dispense with the means-test jungle, for the new scheme only envisaged the replacement of income tax allowances, and family income supplement by tax credits. The scheme not only excludes national insurance and health benefits but retains a long list of miscellaneous welfare benefits, particularly for women and children, all of which are means-tested. The Liberal proposals for higher and more comprehensive credits would reduce the number by two-thirds thus taking the overwhelming number of people out of contact with means-tests.

## **Housing**

One area which is ignored by the Tory plan is housing. If the Conservatives recognised the long-term potential of credit income tax as a social welfare scheme and not merely as a mechanism for administrative simplification, it would surely attempt to link the rent and rebate system within the tax credit system. At the same time, by redefining the nature and incidence of housing allowances the iniquities of the present system of tax relief on mortgages (amounting to £340 million in 1971/72) could be tackled.

Liberals would scrap the rebate system and the tax relief on mortgages, replacing them by a uniform 'Housing Credit' payable automatically to all householders and tenants through the tax system.

The narrowness of Conservative thinking on all these points was revealed in the first paragraph of the Green Paper: 'A complete merger of income tax and social security . . . is impracticable both on grounds of cost and administration considerations. It would not, for example, be possible to merge the administration of supplementary benefit with the income tax machine, since it is not part of the normal administration of income tax to take into account rent and rates and other special needs nor to respond immediately to changes in these factors'. This is the nub of the difference between the Conservative scheme and the Liberal blueprint.

## **THE LIBERAL CHARTER FOR WOMEN**

The Liberal Party has always been in the forefront of the campaign for equal rights for women, at home and at work. Implicit in all our proposals for the reform of the social security system is an acceptance of the rights of women to equal entitlement. This must include the following points:

- ★ equal pay for work of equal value
- ★ provision for ownership of matrimonial property on a 50-50 basis
- ★ taxation of husbands and wives separately
- ★ payment of a basic tax credit to the wife who remains at home under the Liberal Tax Credit Scheme
- ★ paying a sickness benefit of £2 a week to the housewife who has been sick for more than four weeks (and who is not employed)
- ★ for widows:
  - ★ a death benefit of £50 towards the funeral expenses
  - ★ a pension of at least half her late husband's earnings during the first six months of widowhood and for as long after that as there are dependant children
  - ★ an ordinary single person's pension (of one-third male national average industrial earnings) for widows over retirement age
  - ★ actively encouraging widows under retirement age and without dependant children to get a job, by giving them equal entitlement to retraining, and appropriate social credits (see Social Credits)
- ★ for divorced and separated wives:
- ★ benefits with the same rates and conditions as if they were widows.

## **Conclusion**

The Liberal proposals for reform of our present social security system are far more radical than anything yet produced and if implemented, would represent an unprecedented attack on poverty.

The proposals are expensive, as are all social welfare measures, and they will take time to implement but they do hold out the possibility that, at the end of the day, the ideals of Lloyd George and Beveridge to abolish poverty in this country could be realised.

## 6 HEALTH AND WELFARE

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### LIBERAL POLICY AIMS

- 1 Genuine devolution of power and resources to the regions. Democratic election to Area Health Authorities.
  - 2 Cooperation between Local Authority Welfare services and the Area Health Authorities, to ensure efficient matching of resources and manpower to real needs within each community.
  - 3 The full implementation of the Chronically Sick and Disabled Persons Act with national funds.
  - 4 The eventual abolition of prescription charges and other Health charges. The restoration of free milk for welfare purposes and for junior schools.
  - 5 Particular emphasis on health education and disease and accident prevention in order to increase awareness, prevent suffering and lower costs dramatically.
  - 6 Improved pay and working conditions for all hospital staff, equal employment opportunities for women and the establishment of Works Councils representing all employees at each hospital.
  - 7 To raise the standard of the N.H.S. to a level commensurate with private practice and to phase out, over a period of time, the use of N.H.S. facilities for private patients.
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### 1 THE CURRENT SITUATION

#### a Resources

The Department of Health and Social Security is one of the largest employers in the world. Altogether it employs nearly 800,000 people (56,000 doctors). It provides health and welfare services to a population of over 54,000,000. Virtually every family in the country receives some health or personal social care each year. The Department will spend approximately £3,000 million in 1974 (5½ per cent of the G.N.P.). It is so vast and unwieldy that the System can become impersonal and inconsiderate to the individual needs of patients and staff.

Securing value for money in the provision of health and social services is notoriously difficult. The total annual running expenditure in the hospital service is £1,500 million and annual capital expenditure £219 million. The corresponding figures for community services (where 85 per cent of all doctor/patient contacts are made and 95 per cent of all contact between patient and Health and Welfare Services occur) are £1,104 million and £96 million. A further £246 million is spent on Local Authority Health and Welfare services. Quite clearly, in simple terms, most of the money is spent in hospitals and most of the contact is in the community.

#### b Structure

At the turn of the century it was widely believed that health and social problems could be banished from society by the creation of adequate services. We have

since learned that there appears to be an insatiable demand for health and social services because the solution of one problem only reveals another and greater success leads to greater expectations. But not all problems can be solved through improvement in finance and buildings. Neither is the solution necessarily 'more of the same'. The trend towards larger, more complex institutions and increasing isolation of those managing the services from those receiving them invariably results in services which are lacking in humanity and sensitivity. At the same time, parts of the health and social services are badly overstretched through acute shortages of key profession staff, poor buildings, and disagreement over priorities.

A key task in any policy is to balance the rights of the individual with the needs of the community as a whole. Every man, woman and child should have free access to health care but the establishment of freedom for one must always consider the freedom of others and also the personal freedom of those who administer and deliver. Much of the stress of life, so costly in medical terms, could be reduced, particularly in large centres of population, by making local communities the focal point of medical and welfare services.

The reorganisation of the National Health Service through the extension of central government domination has in no way contributed to the achievement of these aims.

## **2 THE REORGANISATION OF THE NATIONAL HEALTH SERVICE, 1974**

The reorganisation, through central appointments to the Regional and Area Health Authorities, has ensured that power has been retained by the D.H.S.S. Community Health Councils have inadequate funds to enable them to research the needs of their locality, have no representation on Area Health Authorities and have no method of ensuring that their recommendations are implemented.

Labour proposals in a paper entitled 'Democracy in the National Health Service' recommend that Community Health Councils should appoint members to the Area Health Authority, but the proposals centre upon Local Authority Councillors being given greater influence within the management structure of the service.

Little effective attempt has been made by either Conservative or Labour Administrations to ensure coordination on an Area basis between the Area Health Authority and the Local Authority Welfare Services. Joint Consultative Committees are simply not sufficient.

Social Services Departments are administered by District Councils in metropolitan areas, and by County Councils in non-metropolitan areas. The Seebohm Report recommended that consumers and people directly involved in the provision of the services (for example foster parents, members of families of handicapped children and elderly people) should be included in the main Social Service committee or its sub-committees. Where this is done, there tends to be a token gesture to include members of local voluntary organisations—it is rare to hear of a consumer being on a Social Services Committee. As with most local authority committees, there is no worker participation, although it is certainly arguable that social workers have as much to offer as doctors, nurses and teachers, who are accorded some representation on the committees that control them.

### 3 LIBERAL POLICY

#### A Unified, Democratic Health Service

The reorganisation of the N.H.S. has perpetuated the undemocratic system of control of the Health Services. Whilst elected representatives are now included on the new Regional and Area Health Authorities they are not directly elected, and are therefore not answerable to the consumer. The system of appointment of members of Health Authorities by the Secretary of State works against the less traditional consumer groups, e.g. the Patients' Association and in favour of the more traditional consumer organisations.

Liberals aim to see the Health Authorities restored to democratic control, with a majority of members directly elected, and representatives of the medical, para-medical and nursing professions, and ancillary workers. In the long term, we hope to see Regional Health Authorities responsible to elected Regional Assemblies.

Alan Beith, speaking in the debate on National Health Service Reorganisation on 8th May 1974 said, 'The consequences of centralisation are very serious. It will lead to the creation of a top-heavy machine, which is remote from the patient. For example, it seems increasingly likely that we shall finish up with more nurses behind desks in administrative headquarters miles away than in some of the small hospital units in the area. We shall create a bureaucratic structure far larger than was necessary to run the health service before reorganisation took place, and that structure will eat money.'

Another consequence of centralisation is that it means a loss of administrative and clerical jobs from areas where the demand for jobs is very high and where the standard of recruits for administrative and clerical work is also high.

Present health service staff in my constituency are very worried about the threat to their jobs. Because of this insecurity, many are seeking posts outside the service, and many are scanning the "Situations Vacant" columns of the newspapers with anxiety.

It will be difficult to build up and reconstruct a service even on the best principles if the Minister loses the best people because of the present insecurity. He must remember that, whereas one can make reorganisational changes with relatively little inconvenience in an urban area, it is no use saying to someone in a rural area, "We have reorganised and we have a job for you," when it is 50 miles away.'

In the debate on Community Health Councils on 28th June 1974, Baroness Robson outlined the defects in the present system of appointment:—

'The appointment of local authority members (to Community Health Councils) has been left to the discretion of each local authority. The only advice given, so far as I am aware, in the Statutory Instrument, is that local authorities may appoint either councillors or those who are not councillors. This has resulted in widely varying methods of appointment. Some councils have made their appointments through the Leader on a Party political basis; others have made their appointments on a proportional all-Party basis; and yet others in their right to appoint non-councillors have used the criteria of interest in the National Health Service regardless of political affiliations. Of the three methods used, I very much regret the appearance of appointments on a one-Party political basis. The community health councils, one would hope, should not become a forum for party politics, but should emerge as an informed body of opinion capable of scrutinising the performance of the new authorities, and acting as a liaison between the authorities and the general public. A tre-

mendous responsibility rests on their shoulders for the success of the re-organisation.

However, in order to exercise their responsibility, they need money, they need to be adequately serviced and financed. That is one of the responsibilities of the Regional Health Authority. But that responsibility has been placed on us with no special allocation from the Department for these expenses.'

### **Health Services and Charges**

Liberals believe that all prescription charges and payments towards dental care, spectacles and some surgical appliances should be abolished because those patients who need the most help may delay seeking treatment until their own suffering and the cost of caring for them is greater than if they had been treated free of charge immediately. Health care screening programmes within the National Health Service should be encouraged and expanded where they are shown to be of value.

### **Community Care and Responsibility**

The Liberal Party will encourage the development of research into improved systems for monitoring and delivering health care. Particularly with development areas and new towns Area Health Authorities should be given the finance to build comprehensively equipped premises for Family Practitioners on an even distribution throughout their area. These premises may be rented or sold to a Doctor or to a group of Doctors with the option of re-sale to the Authority. The Liberal Party will discuss with the Medical Profession more effective methods of ensuring an even distribution of work-load between practitioners in an area and an even distribution of practitioners throughout the country. The Liberal Party will also discuss with the Medical Profession methods to remove the disparity between the career of salary structures of the Hospital Doctors and Family Practitioners.

Liberals believe that the basic approach for the future should be through developments in community care rather than in institutional care and that therefore this is where the maximum resources should be applied. Wherever appropriate, care of those who are sick in body or in mind should take place within the local community in order to help them feel that they are still a part of it and to make the public more aware of their existence and also more conscious of the difficulties that these patients and those that care for them have to experience.

Voluntary organisations and Leagues of Friends should be encouraged to play a greater part in community care. The relatives and friends of patients should be included wherever possible in the social care of patients in hospital and also encouraged to take their elderly or disabled relatives home from hospital over weekends or for holidays wherever appropriate.

### **District and Community Hospitals**

A number of recent studies suggest that as many as one third of all patients in District Hospitals at any one time, with certain minimal support, could have been cared for at home or in Community Hospitals. Not only would such an approach be less costly, it could also be far less disturbing for the individual. The availability of beds in District Hospitals would therefore increase by 33 per cent and waiting lists for patients could be dramatically reduced. District Hospitals would thus be able to employ their specialist facilities and expertise



to the maximum advantage of the community and professional satisfaction of the staff.

Short-stay (up to three months) psychiatric wards should be provided in the local District Hospital in proportion to the need of the local community. Specialist hospital facilities for long-stay patients should maintain maximum contact with the community and with other Health and Welfare services. Particular attention should be paid to all staff training and to career and salary structure within long-stay hospitals and homes.

In the long term, Liberals would aim to establish Community Hospitals within each Health District, staffed by local Family Practitioners and with some sessions for visiting Specialists. Functions would include in-patient facilities where the prime need is social; out-patient facilities for X-ray and laboratory investigation; rehabilitation centres; day treatment centres for mild psychiatric disorders; Public and Industrial Health, District nursing, Meals on Wheels and other welfare services, child welfare and school health services; family planning services; Community Dental and Ophthalmic Services; and community education services towards health care and disease and accident prevention. There would be close cooperation between the Community Hospital and the Social Work teams.

### **SOCIAL SERVICES**

The complexities of life today have led to increasing demands being made on the local authority Social Services Departments, without sufficient resources being made available for the meeting of these human needs. Liberals believe that unless sufficient resources are devoted to the preventive social services—those designed to keep in the community children at risk, the mentally ill and mentally handicapped, the chronically sick and disabled, and the elderly—then society will perpetuate the human misery of deprivation, isolation and institutionalisation.

What this means in real terms is that 14 year olds go to prison because the specialist assessment centres are not there, the homeless are unhoused because part 3 accommodation (local authority homes) is not there, and the mentally ill languish in hospital because the hostels have not been built, the day centres are still in the planning stage and the sheltered workshops on the drawing board.

The personal social services must be flexible, responsive to need and based in the communities they serve.

In the short term, Social Services Departments will remain under local authority control as at present. In the long term we would hope to see the service provided by unitary local government under an elected Regional Assembly, which could plan for and provide the more specialised facilities. Only when Health Authorities and Social Services are under the same system of democratic control can there be a rational use of resources for those in need.

A Liberal Government would require local authorities to submit a five year plan of social services developments, specifying local priorities. These would be accepted unless there was clear evidence that the local authority was neglecting a particular group in need, but the Government would spell out in advance its own priorities.

The recommendations of the Seeborn Report that Social Services Committees should include representatives of consumers and people directly involved in the provision of services (such as foster parents and the members

of families of handicapped children) should be carried out in a bolder and more radical way. As well as consumer participation, there must also be a system of worker participation in the social services, particularly as those directly involved in providing the service—for instances, the housemother, the fieldworker or the home help—are often in the best position to see the actual effects of stated policy. However in the light of the expected shortfall of trained social workers in the years to come (only 75 per cent trained staff by 1980) social work cannot afford to become prey to narrow professionalism. The personal social services should seek to stimulate the community to take on some of the caring tasks, not only as ends in themselves, but also as means to the end of the creation of a healthier and more humane society.

Social workers should not be expected to serve as the conscience of the community in providing care of these under-privileged and disadvantaged groups. A Liberal society would be one in which the community as a whole—you, your friends, your neighbours—would play its part in the caring task. Just as we believe in conciliation and cooperation in industry, so do we believe in community involvement in care and would strive to make this a reality using social workers as a skilled resource on which to draw for support and guidance.

## **THE SICK AND DISABLED**

### **The Chronically Sick and Disabled Persons Act 1970**

This was a Private Member's Bill and as such no national resources could be voted by Parliament for its implementation, although the then Chancellor, Mr. Roy Jenkins, introduced a Money Resolution to enable local authorities to use the Rate Support Grant where financial expenditure was necessary. In many areas it has failed to give people the comprehensive services that were intended as it gives Local Authorities additional responsibilities without providing extra funds to discharge them. A Liberal Government would introduce a Bill encompassing the provisions of the 1970 Act so that central finance can be made available for its implementation, and to extend provision for disabled children to other fields such as education, where urgent national provision is required.

Dr. Michael Winstanley, speaking in the debate on Social Services and Education on 15th March 1974 said, 'The Chronically Sick and Disabled Persons Act has been somewhat disappointing because it has operated patchily, because its provisions are not mandatory and local authorities are merely required to operate them to such extent as they consider reasonable and practicable.

We find that what is reasonable and practicable in one area is proved to be unreasonable and impracticable in others. Indeed, we found that different Areas have interpreted the Act in different ways. Some have misunderstood its purpose and when asked for a telephone for a disabled person have said "A teenage son lives there and he can go and get the doctor if necessary."

The purpose of providing items such as telephones, the purpose of altering houses and so on under the Chronically Sick and Disabled Persons Act was not to enable a disabled person to summon help in the middle of the night, or to get a stretcher through the doorway, but purely to improve the quality of life for the disabled.'

### **The Attendance Allowance**

The attendance allowance is a valuable form of special help for the seriously

disabled and for those who have to care for them. There is one respect in which great injustice and dissatisfaction is caused, namely those who are acutely ill with a terminal illness. Dr. Winstanley has described their predicament thus:—

'A person who is suddenly taken ill and who, we know, is going to remain ill for the whole of his life, but who cannot qualify for the attendance allowance, even though fulfilling the conditions as needing attendance throughout the day and night, even though a daughter or a son has to stay off work to look after him, cannot qualify until he has had that disability for a full six months. Some people in this category, as we know, die a day or two before the six-month period ends and never get the help from this allowance which, frankly, they ought to get. That is one respect in which we could improve the scheme immediately.' (*Hansard, 15th March 1974.*)

### **Invalidity Benefit**

In the same debate Dr. Winstanley referred to those on invalidity benefit and below pensionable age. 'Such people write to us constantly. They are people who will often never work again; they get no special benefits; they do not get the £10 or £20 Christmas bonus; they do not get concessionary bus fares; they do not get free prescription charges, or any of the other things automatically given to people in receipt of the family income supplement. They get very little indeed. Many of them feel frustrated and resentful. Many feel that they have had a bad deal. I hope that they will presently get a better deal. Proceeding with a disablement income would remedy the situation for many of those now receiving the attendance allowance and invalidity benefit.'

### **The Sharp Report (Services for the Disabled)**

In the debate on the Sharp Report on 1st May 1974 Dr. Winstanley said, 'I want to say a few words about the philosophy which should underlie our thoughts on matters of this kind. Our aim should be, not to compensate the disabled person for his disability, not to award him a car as some kind of bonus so that he will not feel quite so bad about being disabled, but as far as possible to neutralise his disability so that he seems almost without it. Mobility is crucial to normal life and our aim, therefore, should be to enable the disabled person to move about his home, to travel to and from work and at work, and to get around the district in which he lives for leisure and recreational purposes as well.

... I think that the disabled should aim at being, and believing themselves to be, wholly normal. Therefore, it is perfectly right in this field to look at the whole social background in each case.'

### **Safety at Work**

Lord Avebury, speaking in the debate on the Health and Safety at Work etc. Bill on 27th June 1974 said, 'We are on record as in general support of the principles which were laid down in the Robens Report, which we now see embodied in this Bill, and I should like to summarise them briefly as a framework for my remarks. First, the status of health and safety at work should be raised in the minds of individuals, and everybody in industry has an important role to play in this matter. Secondly, legislative protection should be given to the whole of the working population, and millions of workers who were formally excluded from the provisions of the legislation should be brought in.

Thirdly, seven different inspectorates established under nine groups of Statutes and supported by 500 Statutory Instruments should be replaced by a unified Statutory and administrative framework. Fourthly, more flexible procedures should be developed for countering new hazards as soon as they are identified. Fifthly, potential dangers to the public arising from industrial processes or materials should be dealt with by the same authority that looks after safety at the workplace itself. Finally, the framework should be of an enabling nature so as it copes with rapidly changing industrial situations.'

### **Mental Illness**

At the present time there is overwhelming evidence that the mentally ill must be the major priority group. The Secretary of State for Social Services must no longer be the 'slum landlord of the psychiatric hospitals'. A succession of tragedies—Ely, Whittingham, South Ockendon—have resulted from years of neglect. Central Government should make available specific grants where the existing provision for the mentally ill and handicapped is defective. Day centres, industrial units, hostels and group housing must be made available to enable the 40,000 patients now in mental and sub-normality hospitals, who do not need hospital care to be brought back into the community.

Liberals believe that it would be wrong to split off and stigmatise the mentally ill by reverting to a specialist service. The local authority social services departments are the right channel to help the mentally ill, but within the concept of generic teams of social workers there must remain a place for specialist skills.

Liberals are concerned, however, for the proper working of Section 60 of the Mental Health Act on the subject of release from hospital of patients detained under that section.

Dr. Michael Winstanley, speaking in the debate on the Mental Health Act Patients (Release) on 26th June 1974 said, 'This is an area in which there is some public anxiety. It is one in which mistakes are very rare, although there have been perhaps one or two recently. If a mistake occurs, it can be very damaging to those administering the law and can put back the clock with regard to the reform of the penal law in this respect. It is important that the public should be satisfied that this aspect of the law is administered justly, sensibly and safely.'

### **One-Parent Families**

A high proportion of social work time is devoted to one-parent families. The economic and social pressures on such families exacts a high toll in terms of mental illness, delinquency and ultimately children in care. Liberals would therefore give high priority to the implementation of the proposal in the Finer Report to pay a guaranteed maintenance allowance as of right to one-parent families, believing that this would remove over half a million adults and one million children from supplementary benefits and serve substantially to reduce demands on social services departments. The rapid expansion of recent years means that the most able social workers are swiftly promoted to administrative and supervisory posts. This trend must be reversed, and Liberals advocate the establishment of a career structure for social workers which will enable skilled workers to secure advancement while remaining in contact with the clients.

Dr. Michael Winstanley, speaking in the debate on Social Services and Education on 15th March 1974 said, 'Single unsupported parents, not just

widows but often deserted wives, particularly those not receiving maintenance or unable to find the person who should be paying, and thus unable to enforce maintenance, are often in serious difficulties. Their situation should be remedied. The onus of enforcing maintenance should be put on the State rather than on the harassed and deserted mother.'

### **Family Planning**

Liberals believe that there should be a comprehensive family planning service freely available under the National Health Service. The present anomalies created by the Labour Government whereby some local authorities provide services while others do not and whereby hospitals and local authority sponsored private organisations may supply free contraception whereas Family Doctors may not, should be ironed out. At present Local Authority clinics employ Doctors on a sessional basis and do not normally provide 24-hour facilities. Nor do they have adequate facilities for gynaecological investigation. The Liberal Party believes that birth control should be part of family medical care and should be provided only by doctors who have obtained a family planning certificate.

### **Private Practice**

Many individual doctors in Hospital or in General Practice have both N.H.S. and private patients. Similarly, patients are free to attend both N.H.S. and private health care systems. While wishing to retain maximum freedom of choice Liberals believe that the demand for private practice is in part an index of the quality of care provided by the N.H.S. We aim, therefore, to improve the quality of N.H.S. care so that private practice consultations become increasingly unnecessary.

Dr. Michael Winstanley, speaking in the debate on Social Services and Education on 15th March 1974 said, 'I am a passionate believer in the National Health Service. It should be perfectly possible for this country to mount a fully comprehensive, humane and efficient health service on a non-paying basis. It has never been suggested from these benches that the health service should be free. It is not something that falls from the sky. It has to be paid for. What is at issue is when it should be paid for. Should it be paid for at the present time of need, or should payment be spread over our lives and over the community on a taxation or insurance basis? I should like to see all charges disappear.

It is my experience that where the health service flourishes, where the hospitals are efficient, where there are not three-year waiting lists for people with allegedly non-urgent operations—non-urgent to the authorities sometimes seems pretty urgent to the person awaiting the operation—where the general practitioner service is good and the general practitioner/patient ratio is good, one sees hardly any private practice. Private practice flourishes if the National Health Service begins to disintegrate.

... The opting out from the health service into private practice is a dangerous development. The way to cure it is not by abolishing private practice, but by doing away with the need for private practice. The way to stop queue-jumping is to do away with queues. The Government can rely on our enthusiastic support for anything they can do to revitalise the health service in which, I assure them, we believe as strongly as they do.'

### **Private Practice Within the Health Service**

At present the National Health Service and private practice overlap in two

major respects. Firstly, 60 per cent of Consultants do at least some private practice in addition to their N.H.S. work. This can be very lucrative and it is a measure of the inadequate facilities and rewards that all professions receive within the Health Service, that only 40 per cent of Consultants choose full time N.H.S. work.

The second and more fundamental overlap is the continued pressure of some 6,000 'private beds' within National Health Service Hospitals. The issue of private beds should not be confused with the 'amenity beds' system under which N.H.S. patients, if they so wish, can pay extra for privacy and other *non-medical* facilities. The amenity bed system serves N.H.S. patients only and is contingent on availability of resources. It is not a major point of great concern in the Health Service.

The presence of a totally different class of patient, the 'private' patient, within a N.H.S. hospital is, however, a matter of dispute. It arises mainly because accommodation and clinics for private patients are extremely limited and a limited number of private beds in N.H.S. hospitals have been made available.

Liberals would phase out private beds over a period of time, during which arrangements would have to be made to compensate consultants for their loss of earnings and some opportunity would be given for the private medical funds to set up their own separate accommodation.

### **Employment in the Health and Welfare Services**

Since the Labour Government took office earlier this year the National Health Service has been torn by dispute. Mrs. Castle's stubborn policy of confrontation with the medical, nursing and ancillary professions has brought morale within the Service to the lowest ebb since its inception. The committees, teams and councils which came into being in April under the reorganisation of the Health Services planned by the previous Conservative Administration have already proved to be cumbersome in their management structure and ponderous in their capacity to react to changing circumstances. The cumulative effect of years of under-financing is now being felt by every branch of the Service.

The Labour Government has totally failed to appreciate the depth of professional disillusion and has misjudged the degree of resentment caused by the assumption that a sense of vocation and responsibility should itself be a reward and therefore be a substitute for financial recognition.

The hospital service is collapsing. Under-paid, under-staffed, over-managed, and now perhaps, over-unionised, there seems little hope that anything short of a massive capital injection will avert further resignations, emigrations, deterioration of clinical standards, reduction in the services generally available and, ultimately, reduction, through closure for one reason or another, of a number of hospitals.

Manpower shortages exist in most key professional groups, including doctors and nurses (where we are critically dependent upon Commonwealth citizens), social workers and para-medical staff such as radiographers, pharmacists, medical secretaries and administrators at all levels. The pay and working conditions of all these groups are so poor that private agencies are flourishing and the total work force is diminishing dangerously.

Yet Mrs. Castle says that our Health Service is the envy of the world.

Dr. Michael Winstanley, speaking in the debate on National Health Service Pay on 23rd May 1974 said, 'We have a second obligation to the health service. We spent a long time on reorganisation of administration. Administration is important, but the efficiency of the health service depends far more on the number and the quality of the people who do the work than on anything else. We are now experiencing shortages of those who do the work in almost every capacity.

Where there are such shortages the problem snowballs. . . .

We lose nurses because there is a shortage of them, and we are losing physiotherapists, radiographers and radiotherapists for the same reason.

We see the same thing even in medicine. If a hospital advertises for nine house surgeons, it will have no applicants, because any doctor who applies knows that he may be the only applicant and that he will then be doing nine people's work. If a hospital advertises for one house surgeon, it will have many applicants. If we do not remedy the shortages in staffing, they will snowball, and the health service in the area concerned can come near to collapse. . . .

Each profession has its special problems. The radiographers have on-call payments that are wholly inadequate. Speech therapists have almost disappeared. We cannot recruit them because of inadequate remuneration.

We have a special obligation today, for three reasons. First, the nature of the work of those employed in the health service makes it impossible for them to use the industrial weapons used by so many workers. Secondly, because they are fundamentally employed by a monopoly employer, they are in a very weak bargaining position. Thirdly, they are in effect civil servants. When a Government wish to control wages, they tend to do so with the only wages under their control, those of the Civil Service. We have seen that over and over again, right back to the time of the Geddes axe.

We have a special responsibility to all those concerned.'

The Liberal Party undertakes to review and improve the methods for negotiating conditions of service and the machinery for staff participation in management process and training. The present negotiating machinery through the Whitley Council and the National Joint Council for Social Services is seriously inadequate. Gross dissatisfaction exists among all staff over the pitiful remuneration provided to housekeeping and hotel services staff such as cleaners, porters, laundry, maintenance and catering staff. Liberals would institute efficiency payments to those workers—in accordance with Liberal Industrial Policy for profit and asset sharing. Works councils representing all employees would be set up within each hospital to participate in improving terms and conditions of work. Liberals are opposed to discriminatory practices between men and women in all educational and professional opportunities. We would encourage and improve re-training courses for those married women who wish to return to work in the Health and Welfare Services. We will require the provision of creches so that young children may be cared for if their mothers wish to work.

### **Student Training**

The education of students should be designed to fit them for the work that is later to be required of them by the community. Thus, not only should there be devolution of power and financial resources from Whitehall to the Regions but London should also relinquish its domination of 60 per cent of U.K. medical students. Medical student education should be broadly based in

medicine and in human behaviour and wherever possible should be alongside other health care professionals. All health student training should centre upon the Universities but should also cover District and Community Hospitals, General Practice and Social Services. Liberals oppose the methods of student training that exploits student labour at the expense of providing a full and proper education.

There are too few trained social workers, and improved services must mean an expansion of training places. Only 4 per cent of all residential social workers are qualified—and yet they have to bear the most difficult responsibilities with which the community is unable to cope. Here too improved training facilities, and higher levels of salary, are essential for the most magnificent of buildings is wholly dependent on the calibre and competence of the staff.

### **Health and Welfare Services and the E.E.C.**

Liberal Party policy is that there should be increasing political and economic union within the E.E.C. Health and Welfare Services will only be integrated when taxation and social security systems are unified.

Liberals believe that a strong Europe is the only sensible future for the United Kingdom. We shall have greater influence in international affairs and also we shall be in a stronger position to deal with international companies. Thus we shall be able to prevent exploitation by monolithic Drug Companies and exert a positive influence upon the health care of other peoples of the World who are still considerably less fortunate than ourselves.



## 7 INDUSTRIAL DEVELOPMENT

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### LIBERAL POLICY AIMS

- 1 To encourage development by creating an industrial environment based on co-operation rather than conflict.
  - 2 To institute a long-term investment programme in order to maintain the necessary stability in industrial production.
  - 3 To promote a more efficient industrial structure by encouraging competition.
  - 4 To remove imbalance in the economy by the introduction of a radical regional policy.
  - 5 To increase efficiency in the nationalised industries and to maintain a clear distinction between public and private enterprise.
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### Introduction

The basis of Liberal industrial development policy was set out by the Rt. Hon. Jeremy Thorpe M.P. in a speech to candidates at Loughborough:

'In industry our aim must be to restore confidence and stability over a period of time to encourage greater profitability and to increase the production of wealth which should thereafter be better distributed . . .

There is a role for private and public enterprise but both must fundamentally change their mode of operation if we are to secure the degree of confidence and stability in our industry to achieve the required investment and output.

A national programme for industrial development ought therefore to contain four fundamental initiatives, namely: A fundamental reform of Company Law to induce a far greater degree of public responsibility in industry and to make the management of companies responsible to shareholders and employees on an equal basis. Then there must be a concentrated attack on monopolies on the lines of the American anti-trust laws. Next a five-year programme of investment should be drawn up in consultation with the essential major industries—if necessary with the government acting as guarantor to the investors. A key corollary to this policy would have to be a governmental commitment to refrain from further nationalisation except where the industry concerned felt that there was no other viable alternative to save liquidation.

Finally, a phased introduction of worker participation at all levels of industry from the shop floor upwards should involve union and non union workers on an equal basis. The introduction of approved profit-sharing schemes . . . is essential if the necessary co-operation is to be secured at plant level. The key to a successful programme of industrial development lies in a continuous flow of investment capital, a stable and contented work force and a steady increase in output. These must be the underlying objectives of our industrial policies.'

*(5th July 1974.)*

## THE CONSERVATIVE GOVERNMENT, 1970-74

### Industry Act 1972

This represented the highest ever level of state intervention in the private sector (although not necessarily in money terms) to the extent that during the Second Reading of the Bill Mr. Anthony Wedgwood Benn committed the Labour Party to making use of the powers of the Act when it took office again.

The Act embraced the once forbidden principles of share ownership and secured loans, and its main provisions were:

- a Free depreciation throughout the country for investment in plant and machinery.
- b Allowances of 40 per cent for investment in industrial buildings.
- c A scheme of investment grants to encourage regional development. This consisted of:

The continuation of the Regional Employment Premium payable to manufacturers in Special Development Areas and Development Areas.

Grants at 22 per cent for plant machinery and buildings in Special Development Areas, and at 20 per cent in Development Areas.

20 per cent grants on buildings in Intermediate and Land Clearance Areas.

- d Selective financial assistance such as loans at preferential terms and training grants.

### The Consumer Boom, 1971-73

This was initiated by extensive tax cuts in Chancellor Anthony Barber's three Budgets, 1971/73. It was partially designed to encourage investment by increasing consumer demand.

### Direct Assistance to Industry

During the lifetime of the Conservative Government, the following sums were paid to industry:

	£ million
1970-71	884
1971-72	789
1972-73	684
1973-74	748

*(Historic prices net of repayment. Source: written answer from Mr. Eric Hoffer, Minister of State, Department of Industry, House of Commons, 16th May 1974.)*

### 'Lame Duck' Policy and Public Ownership

**Shipbuilding.** In the two years before the Industry Act was introduced the figure either spent on or promised to shipyards was about £180 million. It is estimated that a further £50 million will have been spent as a result of the provisions of the Industry Act.

**British Petroleum.** In 1971 nearly half of the 1971 B.P. rights issue (£120 million) was taken by the Government.

**Rolls-Royce.** This was taken into public ownership in 1972.

**B.S.A.-Norton-Villiers.** The Government invested in the 1973 reorganisation.

## LABOUR'S POLICY FOR INDUSTRY

Labour's Industrial Policy is spelled out officially for the first time in the White Paper, published in August, entitled 'The Regeneration of British Industry'.

There are three interrelated elements in the policy, the purpose of which is to increase 'accountability' in industry, and generally to enable industrial development to be linked with government economic policy. In particular the proposals are intended to assist the government in improving investment, checking the growth of monopoly, and in removing regional imbalance.

### **Extension of Public Ownership**

The White Paper has little to say on public ownership, and the best guide to Labour's intentions remains 'Labour's Programme 1973' which committed the Party to massive state ownership in, at least, the following industries:

- 1 Shipbuilding, ship repair and marine engineering.
- 2 Docks and ports.
- 3 Aircraft.
- 4 National mineral rights, including North Sea oil, and Celtic Sea oil.
- 5 Sections of the construction, machine tool, pharmaceutical, and road haulage industries.
- 6 Development land.
- 7 Sections of the nationalised industries hived-off under the Conservative administration.

Plans for the shipbuilding industry have already been announced and involve the nationalisation of thirteen shipbuilding companies, thirteen ship-repair organisations, and six marine diesel manufacturers. The larger organisations in this list include the Swan Hunter Group, Vickers, Cammell Laird, Scott Lithgow, and Govan Shipbuilders. These measures follow proposals made in July in which the Government is to take a majority holding in the Belfast yard of Harland and Wolff.

### **Planning Agreements**

Nationalisation is to be backed up by a comprehensive system of planning agreements. This will involve firms agreeing, with the government and trade unions, policies on such things as prices, investment programmes and regional distribution of employment. There will be no compulsion under this system. The White Paper says that an agreement will not have the effect of a civil contract enforceable at law, but it will be given sufficient statutory recognition to guarantee the assistance promised to the companies concerned.

The agreements will apply to all firms who receive financial assistance and development support. At present twenty companies are being 'investigated', the names of which were announced in Parliament on June 20. They are: Allied Breweries, Bass Charrington, Bowater Corporation, British Insulated Callender's Cables, British Leyland Motor Corporation, Courtaulds, Esso Petroleum Co., Ford Motor Co., Gallaher, G.E.C., Grand Metropolitan, G.K.N., I.C.I., Imperial Group, Ranks Hovis McDougall, Reed International, Sears Holdings, Tate & Lyle, Unigate, Unilever.

Mr. Michael Meacher, Parliamentary Under-Secretary at the Department of Industry, was reported in *The Times* as saying:

"They are not the subject for total or partial take-over." But he added that the companies listed "may form part of the planning agreements" aimed at bringing a closer relationship "between the objectives of private companies and national economic objectives."

(*The Times*, 24th June, 1974.)

## **A National Enterprise Board**

The N.E.B. is intended to form a link between public ownership and planning agreements, and to a limited extent would fulfill and thus supplement the functions of both. It would acquire state holdings in companies which would enable it to influence decisions in accordance with government policy—in much the same manner as the planning agreements. Where greater control is felt to be necessary it would be used to 'purchase key sector leaders in the manufacturing industry'. (*Mr. A. W. Benn, Notes on the Work Programme of the Department of Industry.*)

According to the White Paper, this would be done where there is a danger of a company passing into unacceptable foreign control, or in order to stimulate competition in a sector where it is weak.

The N.E.B. would, in fact act as a State holding company and would be a source of investment capital for industry. It would be formed initially out of existing government holdings in industry, such as those in Rolls Royce (1971) Ltd., International Computers (Holdings) Ltd., George Kent Ltd., Nuclear Enterprises Ltd., Dunford and Elliott Ltd., Kearney and Trecker Marwin Ltd., Norton Villiers Triumph Ltd. According to the White Paper it is the intention that all holdings, whether 100 per cent or in part, should be acquired by agreement.

The N.E.B. is intended to act as a successor to the Industrial Reorganisation Corporation, to which in many respects it is similar; its policy concerns will, however, be far more comprehensive. For example, when providing investment capital it will give priority to projects which promote industrial efficiency, which increase exports or reduce undue dependence on imports, and which will offset the effects of monopoly. Unlike the I.R.C. it is expected that the N.E.B. will retain the shareholdings which it acquires.

## **Liberal Response to Labour's White Paper on Industry**

'The Government's White Paper on Industry is neither a recipe for the "regeneration of British Industry," which its authors claim, nor for the Red Revolution which the Tory Party would have us believe. It is not a very radical document which repeats much of the analysis of what is wrong with British industry to be found in the Liberal pamphlets "Growth not Grandeur" and "Opportunity Knocks," published in the early sixties.

'Liberals agree that government and industry have been too remote and that they should be partners. Such a partnership has proved remarkably successful in some other countries, notably Japan. It would be difficult to oppose such a close working partnership unless we took the view that all government intervention in industry is bad in principle. That is hardly the view which can be taken of the Tory Party which passed the 1972 Industry Act—the most sweeping invasion of industry's private preserve ever perpetrated. Indeed, it is precisely that Act which will allow this White Paper to be implemented without a great deal of new legislation.' (*John Pardoe, M.P., Parliamentary Spokesman on Economic Affairs, London, 15th August 1974*)

'As published, Labour intentions could add to the vast powers already handed to government by the Conservative's Industry Act 1972 and could enable a Wedgewood Benn type of government to lay huge foundations for large nationalisation of the most useless character. But in moderate hands the intended powers could provide relatively modest and useful co-operation with private industry.

'Everything therefore turns on the fate of Labour extremists at and after the General Election and on whether each of the immensely varied industries of this country organises itself to play a much more direct part in public debate.'

(*Mr. Richard Wainwright, Parliamentary Spokesman on Trade and Industry, and M.P. for Colne Valley, London, 15th August 1974.*)

## LIBERAL POLICY

### Investment

The overriding need of British industry is now, more than ever, a continuous flow of investment capital. The following table demonstrates the repeatedly appalling level of investment, particularly in new plant and machinery.

**Table 1. Gross Domestic Fixed Capital Formation (at 1970 prices, £ million)**

Year	Total	Manufacturing	Plant and machinery
1968	8,951	1,798	3,365
1969	9,042	2,024	3,424
1970	9,223	2,129	3,589
1971	9,269	1,968	3,463
1972	9,429	1,775	3,366
1973	9,838	1,887	3,771

*Source: Central Statistical Office.*

The record in the manufacturing sector, and for plant and machinery, is particularly significant, since it is in this sector that the U.K. export trade is largely based. If exports are to increase, and if we are to achieve export led growth—which is the aim of the present Government—it is essential that productive capacity be improved in this area of industry.

But the situation is unlikely to improve in the near future. Chancellor Healey's first Budget greatly exacerbated the cash position of firms and dealt some severe blows to investment incentives. National Insurance contributions were raised along with payments for Corporation Tax and Advanced Corporation Tax. Small businesses were hit particularly hard. The rate of Corporation Tax was increased to 42 per cent and the level at which relief could be claimed was reduced; tax relief on investment income was cut, and for overdrafts was withdrawn altogether.

The Liberal Party did manage to soften the blows to investment in two respects. It supported an Amendment to the Finance Bill which raised the limit of companies entitled to small business relief on Corporation Tax, resulting in savings to small firms of about £14 million. Liberal M.P.'s also successfully moved an amendment to raise the starting point for tax surcharge on investment income from £1,000 back to £2,000, which helped small savers to the tune of £40 million.

The Chancellor's second Budget did nothing to ease the situation for industry and investment. The only stimulus was provided in measures to double the Regional Employment Premium and to raise the limit for increases in dividend distribution from 5 per cent to 12 per cent. The Liberal Party welcomes these proposals but they are clearly not enough. With the present high interest rates the most likely outcome will be that firms will continue to abandon new projects and simply roll forward their existing programmes to cover a longer period.

The continuing low rate of investment means that industry in this country will be operating with inefficient plant and machinery in relation to most of its major competitors. This is shown by an international comparison of the proportion of output devoted to investment.

**Table 2. Fixed Capital Formation as % of G.N.P.**

	1967	1972
Canada	24	22
France	22	26
W. Germany	23	26
Italy	18	19
Japan	31	35
U.S.A.*	17	18
U.K.	18	19

\*Excludes Government spending on equipment.

Sources: *U.N. Monthly Bulletin of Statistics*.

### **Stability in Consumer Demand and an end to Stop-Go**

One method of promoting investment is to increase the level of consumer demand. However the danger with this approach was demonstrated by the failure of the last Conservative Government's consumer boom. Whilst total consumption in 1972 rose by 5.9 per cent investment in manufacturing declined by about 10 per cent. By the time it began to improve in 1973 the increase in consumer spending had created balance of payments problems, leading to a decline in business confidence and investment intentions. This will always be the case, especially in an inflationary situation, with an economy that operates at near full capacity and which is forced to rely on imports to satisfy the increase in consumer demand.

At one level, therefore, the key to raising investment is in maintaining the economy at a stable level of demand. A combination of Liberal policy on economic management, inflation, and industrial relations, would help to achieve this stability. The low level of capital formation in recent years shows that without this stability, which guarantees sales, systems of incentives such as grants and allowances will be ineffective in improving the level of investment.

### **A Five-Year Investment Programme**

Once a degree of stability in demand management is achieved, it is essential that a coherent national investment strategy be implemented.

This would take the form of a five-year investment programme to be drawn up by the government in consultation with the major industries—with the government acting as guarantor if necessary.

It must be emphasised that the programme should be formulated on an industrial basis. The great failing of previous investment policy under both Conservative and Labour administrations is that incentives were provided to firms on a highly selective and individual basis, often with little reference to the requirements of a particular industry or to general industrial development. Similarly the efficiency of the firms concerned was often ignored, particularly in respect of investment support to the regions.

The Liberal Party would rely on consultation with specific industries (and not merely the C.B.I.); where this involved consulting Industry or Trade Associations, they could be required to give proof of being representative of the industry concerned.

The need for a coherent investment programme to be initiated by the Government is implicit in Labour's proposed system of Planning Agreements. But whilst Liberals can agree with the principles involved there would need to be considerable modifications to the implementation of the Agreements. For example, proposals must be placed in an industrial context, and the distinction between public and private enterprise must be clearly maintained.

An investment programme could be accompanied by an overhaul of the U.K. capital market to encourage less reliance on State finance and investment. Speaking at a Liberal meeting Mr. Richard Wainwright M.P., Parliamentary Spokesman for Trade and Industry, pointed out that there has been a continuing failure to marshal public savings for industrial development.

'The U.K. capital market must be completely overhauled and popularised. The City of London . . . must be turned round from its predatory posture towards industry, to the role of marshalling the capital which the State has in recent years been supplying. This will mean radical recasting of National Savings and the Stock Exchange.'

(Huddersfield, 9th July 1974.)

### A More Efficient Industrial Structure

In addition to an investment programme there is a need for positive government policies which will stimulate economic activity and profitability by increasing competition. A central feature of this approach must be the control of monopoly and the prevention of non-productive mergers. The following table shows the trend towards concentration in the economy.

**Table 3. Per Cent of Total U.K. Assets Owned by**

	1948	1957	1968
Top Twelve Companies	17.8	20.6	26.2
Top 100 Companies	46.5	50.7	63.7

*Source: G. Whittington in Journal of Industrial Economics, November 1972.*

Of course concentration is justifiable when it results in genuine economies. But there are diseconomies of scale, and it is often the case that integration stems simply from a desire to soften competition which ultimately can be detrimental to the efficiency of the company and to the economy as a whole.

The Monopolies Commission has been largely ineffective in maintaining competition. From 1948 to 1964 the Commission made twenty-five reports, eighteen of which called for action to end monopolistic or restrictive practices. In just two of these cases were the recommendations implemented by government order. From 1964 to 1973, the Commission published twenty-six reports, of which fifteen recommended action, and only three of which were implemented by government order.

The failure of the Commission is to some extent recognised in Labour's proposals for the control of monopoly. Yet how effective the National Enterprise Board will be in this respect, is open to doubt. The main purpose of the I.R.C., its forerunner, was to encourage rationalisation which in practice meant the promotion of mergers and takeover deals. This often contradicted the work of the Monopolies Commission and the aims of the Monopolies and Mergers Act which Labour itself had steered through Parliament.

Thus whereas in 1966 companies spent a total of £535 million in mergers, by 1968 this figure had risen to £2,312 millions. The I.R.C. was responsible for promoting a merger between the trawling interests of Associated Fisheries

and the Ross Group, when the Commission had previously refused a merger of the two companies. It is also very probable that the I.R.C. helped prevent large mergers, such as that between G.E.C. and English Electric, from being referred to the Monopolies Commission for scrutiny.

### **Liberal Policy for the Control of Monopoly**

The Southport Assembly, 1973, urged 'H.M. Government to stimulate competition where it can still be made to work, break up or control monopolies, prevent non-productive mergers and stamp out widespread incidence of restrictive practices' by:

- 1 The regulation, through the Department of Trade and Industry (now re-organised), of the pricing and investment policies of those sectors in which competition is ineffective or extinct.
- 2 The appointment of the Monopolies and Mergers Commission to recommend which sectors to regulate.
- 3 The levying of a higher rate of Corporation Tax on that part of a company's profits deemed to have accrued from regulated activities.
- 4 Referring all significant mergers for scrutiny to the M.M.C. which should approve only those showing clear economic benefits and where new jobs are found locally for employees made redundant.
- 5 Hiving off those divisions of large companies which, as adjudged by the M.M.C., would operate more efficiently (or would increase competition without loss of efficiency) as independent units.
- 6 Assigning the Fraud Squad to investigate restrictive practices and the prosecution of those responsible before the Restrictive Practices Court, with stiffer penalties for convicted companies and individuals.

Furthermore, the Assembly urged Liberal members of the European Parliament and H.M. Government to press for the implementation of these principles on a European basis in order to embrace the activities of international corporations. Liberals also urge the E.E.C. to take the lead in breaking up the protected trading-block structure of the world economy.

### **Small Businesses**

In order to encourage an efficient economy it is essential to maintain an independent business sector. However, given that many mergers are designed to soften competition, trends towards concentration are frequently based on the exploitation of small firms. Those independent businesses that continue to operate find it increasingly difficult to maintain or improve investment when a growing percentage of the nation's capital resources is being absorbed by large companies and the nationalised industries.

Policies to check the growth of monopoly will to some extent safeguard the existence of independent firms but positive measures will be necessary to encourage the growth of small businesses. The Amendments to the 1974 Finance Act will help (see above) but more generally the taxation payments of individual proprietors must be reduced and a greater amount of investment capital must be made available to them.

This could be achieved by following the American example whereby Small Business Investment Companies are encouraged to obtain capital resources with which to supply small firms, by being able to borrow at favourable rates from special Small Business Agencies.



## REGIONAL DEVELOPMENT

Capitalism in itself does not generate the most efficient or just allocation of resources, and the distribution of unemployment is a striking example of this (see tables below).

Liberal policy proposes the following measures to cure the ills of regional imbalance:

- 1 The replacement of the National Insurance Stamp by a regionally varied Payroll Tax.
- 2 The reform of the investment grant system with:
  - greater variation between grants for different types of region
  - a more flexible definition of development areas
  - powerful inducements to locate head offices and research centres in development areas
  - greater help for labour intensive industries in the regions.
- 3 A drastic tightening of the issue of office and industrial development permits in congested areas.
- 4 A definite government commitment to create jobs in depressed areas and to spread decision making throughout the U.K.

The Liberal Party believes that the ultimate solution to regional problems can only be found within the context of the devolution of economic and political power. Hence it advocates the amendment of the 1972 Industry Act and the creation of E.E.C. regulations, to place the funds available for selective regional assistance in the hands of regional development corporations answerable to National Parliaments and Regional Assemblies.

### The Industry Act, 1972

The need for a new and radical approach to regional industrial policy is highlighted by the failure of the Industry Act in this respect.

The Act was, above all, a policy for regional development, particularly aimed at reducing unemployment, as the following statements from the Secretary of State for Industry, Mr. John Davies, during the Second Reading of the Bill indicate:

'(The Bill is a) resolute attack on the scourge of regional degeneration which constitutes so grievous a penalty on the people inhabiting more than half our country.'

'(Loans) will continue to be available on a substantial scale for projects providing employment.'

'The terms and conditions (of loans) will be tailored to suit individual circumstances but, broadly, loans for employment creating projects will be at preferential rates of interest.'

As a result, and despite the fact that during the 1970 campaign the Conservatives declared that money could be saved on regional policy, the amount spent substantially increased. The following table shows expenditure for one year, 1973-4.

**Table 4. Conservative Regional Assistance 1973-74**

	£ million
Investment Grants	191
Regional Employment Premium	106
Regional Development Grants	89

*Source: Written answer from the Minister of State, Department of Industry, House of Commons, 16th May 1974.*

Yet despite this commitment to regional policy the most that the Conservative Government achieved was to reduce unemployment from the catastrophic levels of 1972 which were the direct result of the Government's early deflationary policy.

**Table 5. Regional Unemployment Rates**

	North	North-West	York-Humberside	Wales	Scotland
1969	4.8	2.4	2.6	4.0	3.1
1970	4.7	2.7	2.9	3.9	4.2
1971	5.7	3.8	3.8	4.7	5.8
1972	6.3	4.8	4.2	5.2	6.4
1974	4.7	3.5	2.9	3.8	4.5
(May)					

Sources: Central Statistical Office, *Monthly Digest of Statistics*.

## THE NATIONALISED INDUSTRIES

The Liberal Party is opposed to further mass nationalisation be it in the form of complete or partial public ownership. Speaking at a rally in Kent, the Rt. Hon. Jeremy Thorpe M.P. said:

'The huge losses sustained by . . . nationalised concerns such as the Post Office and the Electricity Supply Industry should make us sceptical if not fearful of the mass nationalisation plans which Labour propose. The nationalised industries have become the whipping boys of successive governments' economic policies. Undercapitalised, under priced, over worked and over controlled, they are fast becoming crumbling pillars of our economy.' (*The Kent Rally, Upbury Manor School, Gillingham, August 1st, 1974.*)

State intervention in this manner would only be acceptable where there was proof that it was vital to the social or economic interests of the nation. Hence for instance an extension of the State's interest in the Aircraft Industry might be justified. There may also be cases where government intervention is necessary to stimulate competition in sectors of industry where it is lacking.

But notwithstanding these exceptions the aim in general must be to maintain a clear distinction between the public and private sector and to improve the performance of the existing nationalised industries.

## The Record of the Nationalised Industries

The full urgency of this requirement is brought home when we realise the proportion of national resources which are channelled into the nationalised sector every year.

**Table 6. Fixed Capital Formation in the Public Sector\***

Year	(£ million at 1970 prices)				
	(a) Total U.K. Capital formation	(b) Private Manufacturing	(c) Public Corporations	(d) (c) as a % of (a)	(e) (c) as a % of (b)
1968	8,951	1,798	1,827	20	102
1969	9,042	2,024	1,610	18	80
1970	9,223	2,129	1,650	18	80
1971	9,269	1,968	1,676	18	78
1972	9,429	1,775	1,460	15	82
1973	9,838	1,887	1,479	15	75

\* (c) excludes public authorities; (d) and (e) rounded to nearest 1%.

In 1968 it was estimated that

'in Exchequer terms a decline of only 1 per cent in the earning power of the industries as a whole means an increase of £90 million per annum to be found by taxation or Exchequer borrowing—approximately equal to 6d. on the standard rate of income tax.'

(*Select Committee on Nationalised Industries (1968', Ministerial Control of the Nationalised Industries, H.M.S.O., vol. 2, p.1.*)

Despite these implications it was estimated recently by Sir Raymond Brookes, of G.K.N., that the rate of return on capital in the nationalised industries was only 4 per cent for 1972-73.

### **Liberal Proposals to Increase Efficiency in the Nationalised Industries**

- 1 One of the prime causes of inefficiency in the public sector is confusion, in terms of planning and costing, between economic and social objectives. Hence Liberal policy advocates that in the basic service industries, each enterprise should have clearly distinguishable commercial and social objectives, which must be financed separately. The money for social objectives should be obtained specifically out of taxation and it must be made plain to taxpayers that they will be paid for in this way.
- 2 The basic service industries should be interrelated through a general plan.
- 3 The appalling industrial relations record of the nationalised industries must be improved by implementing, in full, Liberal proposals for employee participation.

### **The Coal Industry**

The energy crisis brought home the dangers of Labour's policy for contraction of the coal industry, in which coal output declined dramatically.

The Coal Industry Act 1973, which reversed this policy, is welcomed. It provides financial support for the industry to the tune of £1,100 million which, among other things, will be used to finance and redevelop pits in the depressed areas.

### **The Steel Industry**

The last Conservative Government's plan, continued by B.S.C., to reorganise and rationalise the steel industry should be reviewed and in this respect the recent intervention by the Labour Government is supported. The economic and social dislocation caused by closures in traditional steel communities is sufficient justification for a rethink of strategy, both national and in the context of the European Coal and Steel Community.

## 8 INDUSTRIAL RELATIONS

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### LIBERAL POLICY AIMS

- 1 Employees must become members of their companies and have improved rights.
  - 2 Works councils must be established with wide powers, and employees empowered to take part in the election of directors.
  - 3 Employees must share in profits and the growth of assets.
  - 4 A minimum incomes level must be established to contribute to the elimination of low pay and a more equitable distribution of earnings.
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### INTRODUCTION—THE GROWTH OF POLICY

Modern industrial relations first became an issue towards the end of the 1960s. The growing number of working days lost through strikes in relation to the record of other European countries, the high incidence of unofficial stoppages, and a growing concern with the economic effects of 'wage-drift' were just some of the factors responsible for this. They also lay behind the establishment in 1965 of the Royal Commission on Trade Unions and Employers Associations—the first official inquiry into British industrial relations for nearly fifty years (the last being undertaken by the Committee on Relations between Employers and Employed, appointed in 1916).

The publication of the Donovan Report in 1968 heralded a profusion of policy proposals designed to solve our industrial relations problems. The Labour Party published 'In Place of Strife' and later attempted to introduce legislation based on the White Paper. The Conservative proposals embodied in 'Fair Deal at Work' were to provide the foundations for the Industrial Relations Act 1971 which introduced for the first time in this country a general legal framework for industrial relations. Since then a steady stream of literature has been forthcoming from the various Labour and Conservative groups, many of whom have hitherto been little concerned with industrial affairs of this nature.

We could be forgiven for assuming that this intense activity would have produced, by now, at least some of the desired results. The truth, however, is quite the reverse—especially in the case of the Industrial Relations Act.

### A BACKGROUND OF INDUSTRIAL UNREST

In the period 1971 to 1973 the average number of working days lost per year through industrial action was nearly 15 million (compared with an average of 5½ million for the five years from 1966 to 1970). The number of strikes—always a more reliable indicator of unrest—averaged 2½ thousand from 1971 to 1973 despite the grand pretensions of the Industrial Relations Act.

The repeal of this legislation is to be welcomed, yet Labour's proposals to turn the clock back will solve nothing in the long run, and relationships within industry will remain as chaotic as they were, and still are. In particular we will

continue to be faced with the conflict between formal and informal, national and plant, negotiations—the 'central defect' to which the Donovan Report referred. The recent Engineering Unions' (C.S.E.U.) pay claim provides a glaring example of the familiar confusion between plant and national bargaining with the added problem that payments made at each level had to be harmonised with phase three of the Conservative Counter Inflation policy.

Why have these measures proved so ineffective? It is not because the trades union movement has no respect for the rule of law, as the Conservatives were fond of saying. The answer is to be found in the philosophy on which these policies are based.

## **CONSERVATIVE AND LABOUR PHILOSOPHY**

The Industrial Relations Act (and 'In Place of Strife' before it) was directed at the symptoms of industrial unrest and not its causes. In particular it sought to deal with strikes without recognizing that they are merely symptomatic of an underlying structural problem. Hence the Conservative Party did not accept that the behaviour of shop stewards, convenors, and managers is to a large extent the product of the system in which they operate. By applying legal sanctions to their behaviour, the Conservatives succeeded only in formalising the existing chaos.

This approach is not really surprising since the Conservative government appeared only to be interested in the economic effects of strikes and other disputes. Such an attitude ignores completely the human content in industrial relations. To millions of working people relationships within industry are not simply a set of statistics relating to strike levels and 'wage-drift'; they have a direct bearing on the quality of their lives at work and should demand attention for this reason alone.

In some respects the Labour Party's present proposals are similarly superficial. In conjunction with the T.U.C. it has been preparing policy for future implementation which, when taken together with the Trade Union and Labour Relations Act, will present a substantial widening of the scope of collective bargaining.

This is the extent of its industrial relations policy. Both major parties have had their fingers burned in attempting far-reaching legislation in this field. This time Labour has adopted a different tactic. It has accepted the TUC's demands on collective bargaining. In return it expects the T.U.C. to toe the line on wages—the so-called 'social contract'. Labour's policy is in itself a bargain, in which it hopes to *buy* industrial peace. As a short-term solution it could work—just. In the long term it will do nothing to remove the *source* of conflict and in this respect is much like its predecessor.

## **THE CONSERVATIVE GOVERNMENT, 1970-74**

### **The Industrial Relations Act 1971**

The general principles on which the legislation was based have already been mentioned. The Act itself was long and complex, but there were three central provisions around which most of the other regulations were grouped.

#### **1 *Legally Binding Contracts***

The Act provided that every labour agreement made in writing should be considered legally binding unless it contained a clause stating specifically that this was not the case—the so-called exclusion clause. The intention behind the proposal was to put into practice Donovan's recommendation that negotiations be formalised at plant level.

Yet contracts were previously not enforceable simply because neither side wished them to be. (There was nothing in the 1871 Act to prevent an employer and a trade union giving an agreement the full effect of a contract—although it would have involved a lengthy procedure.)

The fact is that most contracts do not lend themselves to legal enforcement. They are so vague that in all likelihood they would be void at a court of law for 'uncertainty'. This is a partial reflection of the uncertain conditions which prevail on the shop floor, and the real need is to provide the environment and mechanisms through which a meaningful and mutually acceptable agreement can be reached.

In this respect the Conservative proposals were irrelevant. Speaking two years before the Act was introduced, Lord Donovan himself said:

'To go on representing to the nation that a solution to our problems in the industrial field lies in making collective agreements legally enforceable while at the same time ignoring all the attendant difficulties and lack of reason, is not merely misleading, but has become tiresome.'

*(Official Report, House of Lords, 18th March 1969.)*

## 2 Registration

Registration lay at the centre of the Conservative policy and was aimed at achieving a far stricter control over the content and application of trade union rules. The Act listed over twenty requirements on the items rule books should cover and it was expected that most unions would have to make rule changes.

This never took place because refusal to register formed the core of trade union resistance to the act. Understandably the rule book is a jealous preserve of the unions and any attempt at outside interference must be very cautious if it is going to be successful. The Liberal Party does accept the need for some reform of trade union rules in order to provide for greater protection of the individual, but does not go nearly so far as the Conservative Party attempted to do.

## 3 Restricting Trade Union Immunity During Industrial Disputes

By introducing the concept of unfair industrial practices the Act intended to narrow the legal protection granted to trade unions in 1906.

The list of unfair practices was exhaustive, yet quite unrealistic. The situations they were intended to circumscribe are often the result of spontaneous shop floor action arising out of the disorder in the industrial relations system.

One effect of these measures was to make trade union leaders responsible for the actions of their members—the Conservative answer to unofficial strikes. The idea was based on mistaken assumptions about the nature of trade union leadership and organisation. It assumed a rigid downwards chain of command which does not exist, and completely ignored the legitimate importance of shop floor organisation. The shop steward is ultimately responsible to his work group and not to the district or regional official. (The officials themselves recognise this and in many unions, policy is usually projected not through directives but through a process of informal bargaining and persuasion.) The dispute between Heaton's Transport (St. Helens) and the T.G.W.U. fully illustrates this point. The union was fined for refusing to withdraw the credentials of stewards representing a group of Merseyside dockers who, by refusing to handle Heaton's cargo, were acting outside the law. But if the union had withdrawn the credentials the most likely outcome would have been for the former stewards to have continued their role in an unofficial capacity—the very action the measures were designed to prevent.

The case demonstrates the limitations of legal sanctions in industrial affairs and the crude understanding the Conservative government appeared to have of trade unions, and of industrial relations in general.

### **The Liberal Reaction**

The initial Liberal Party attitude to the legislation was embodied in a Reasoned Amendment tabled for the debate on the Second Reading:

'This House, whilst recognising that the Industrial Relations Bill implements some long overdue reforms greatly regrets that the Bill ignores almost completely the essential need to establish a continuous constitutional relationship between employees and employers which is the key factor in improving industrial relations.'

The Liberal Party recognised the need for a legal framework in which to improve industrial relations and there were sections of the legislation which were particularly welcome such as the protections offered against unfair dismissal.

Liberal M.P.s voted for the Second Reading because they believed industrial relations legislation to be necessary in principle and were prepared to support the Bill on the condition that it was suitably amended to incorporate Liberal policy—in particular regarding provisions for works councils.

Some Liberal amendments were accepted which gave employees the right to legal representation in the Industrial Relations Court, provided for the publication of the Commission, or industrial reports, and to allow for exceptions to the rule which banned the pre-entry closed shop—thus helping such groups as actors, seamen, and certain professional employees.

However the Bill which was finally passed by the House of Commons was substantially unamended, and did not meet the Liberals on any fundamental point. For example, the Liberal Party amendment to make Works Councils statutory was not even debated—the Government guillotined this, along with many other amendments.

In the Lords, however, a Liberal amendment on this was discussed. Lord Byers, the Liberal Leader in the House of Lords, moved to establish Councils in every plant with over fifty employees. He felt that this would broaden the Bill from what was in fact an Industrial Disputes Bill into a genuine Industrial Relations Bill. However the Government refused outright to accept this proposal.

Also in the Lords two Labour Amendments endorsing the principle of workers' participation in management were supported by the Liberals. Lord Beaumont stressed the need to spread participation in decision making all the way through industry, as well as the need to spread ownership. True partnership could be expected to lead to greater efficiency but also, and more important, to greater humanity in industry.

While nominally supporting increased co-operation and consultation in industry, the Conservative Government was not at all prepared to accept that employees should have a statutory right to participate in industrial decision-making.

Hence the party found it impossible to support the Bill in the vote on the Third Reading. In 1972 the Assembly committed the Party to repealing the Act

## THE LABOUR GOVERNMENT: FEBRUARY 1974

### The Trade Union and Labour Relations Act (July 1974)

This act forms the first part of Labour's proposals for industrial relations legislation. The Government intends that it should be supplemented at a later date with such measures as an Employment Protection Act and probably reform of Company Law.

The Act as originally drafted reintroduced the freedoms traditionally enjoyed by trade unions and in some cases modernised and extended these. It abolished the Industrial Relations Act 1971 and the controversial N.I.R.C., although it retained the sections of the Act relating to unfair dismissal with certain extremely important exceptions relating to trade union membership and the closed shop. The main provisions of the original Bill were:

#### 1 *Registration*

Unions would no longer have been required to subject their rule books to the scrutiny of an official Registrar. The Bill reverted to the old practice of trade unions registering with the Registrar of Friendly Societies, who would merely keep a list of trade unions and employers associations. Similarly their only obligation would be to submit annual accounts and superannuation schemes for approval.

#### 2 *Collective Agreements.*

The Bill reverted to the pre-1971 situation where collective agreements are assumed not to be legally binding unless otherwise stated.

#### 3 *Picketing*

Under the Bill traditional law on picketing was restored. Peaceful picketing would be legal at all times and places, save at places of residence.

#### 4 *Trade Union Immunity in Disputes*

The Bill restored traditional trade union freedom from liability during strikes and other action. In addition it extended this immunity to include the breaking of commercial contracts, as well as contracts of employment, thus giving legal status to such activities as blacking and the involvement of 'third parties'.

Furthermore the Bill enlarged the definition of trade dispute to include participation in international strikes, reflecting trade union concern at the growth of multi-national companies.

#### 5 *The Closed Shop*

By amending the unfair dismissal clauses of the Industrial Relations Act, the Bill reinstated the closed shop in a more specific form. For example it provided that no one should be dismissed for belonging to a trade union but an employee would be open to dismissal if he refused to join the appropriate union in a closed shop situation, thus legitimising the pre-entry closed shop.

The Bill abolished the right to belong to a trade union, but at the same time, the right not to belong to a union, except on religious grounds, was also removed.

### The Liberal Attitude to the Bill

'The Bill repeals the Industrial Relations Act 1971. . . . ' So began the introduction to the Bill, and as such the Liberal Party welcomed it. Cyril Smith M.P. gave the reason why:

'There can be no doubt that whatever the Industrial Relations Act was designed to achieve, it failed dismally. Any legislation that is designed to deal with industrial relations must be broadly acceptable to both sides of industry. . . . The Industrial Relations Act never had the consent of the



majority of the trade union movement. That is why we shall vote for its repeal.' (Second Reading, House of Commons, 7th May 1974.)

However in certain key areas the Bill went considerably farther than simple repeal, particularly in relation to the closed shop. In these circumstances the Liberal Party in Parliament was primarily concerned to protect the rights and liberties of the individual. This was the guiding principle and was pursued consistently.

It is a principle which was in fact recognised by the Secretary for Employment, Mr. Foot; but, nevertheless, there were remarkably few concessions to it. Reference was often made to the Labour Party's proposed Employment Protection Bill which, we are led to believe, will cater to many of the Liberal Party's misgivings. But whilst welcoming Labour's intentions this argument was, in general, unacceptable. For meanwhile the Bill would have become law, and in some important areas individual rights would have been denied protection. The Liberal attitude was that the Bill should have done no more than remove the sting from industrial relations by repealing the Industrial Relations Act. If Labour had wanted to extend trade union rights, and often at the expense of those of the individual, then it was these proposals which should have been considered in future legislation.

Despite this, throughout the Second Reading the Liberal Party adopted a spirit of compromise in recognition of the requirements of industrial relations, and of the urgent need to repeal the Industrial Relations Act.

During the Committee and the Report Stages of the Bill, in the Commons and the Lords, the Liberal Party tabled several Amendments, the most important of which are dealt with below.

## **Liberal Amendments**

### **1 Registration**

In the report stage the Liberal Party attempted to amend the Government's proposals on registration to allow the Registrar to issue a certificate if he was satisfied that the rules of unions concerning administration, government, and the rights of the individual, were of a reasonable standard.

This certificate would eventually be appended to copies of the rule books for those unions that had maintained such a standard.

The idea behind the Amendment was to provide some indication of the relative standards of union rules and so permit the individual some discrimination in his choice of union. It would, of course, also provide considerable incentive for unions themselves to consider the ethics of their rules. At the same time this is not nearly so offensive as direct intervention and control over the contents of the rule book which was a central feature of the Conservative government's policy.

The amendment was not, however, accepted by the government.

### **2 The Extension of Trade Union Immunity to Include the Breaking of Commercial Contracts**

The Liberal Party in Parliament opposed the extension of trade union immunity to include the breaking of commercial contracts, despite claims made by the Labour Party that the measures merely restored the 1906 Trades Dispute Act to its former status. Whatever it omitted the Act never gave specific approval to this kind of action, for it allows trade unions acting in furtherance of a claim to involve a 'third party' who may have nothing to do with the dispute. As Cyril Smith M.P. said:

'There is a limit to how far the House can be expected, by this Bill, to protect the trade union movement, but not to protect anybody else.'

*(Second Reading, House of Commons, 10th July, 1974.)*

The Liberal Party, he said, did not wish to restrict the right to strike, or to outlaw the involvement of third parties in a dispute. It merely sought to provide such people with recourse to legal action, and an amendment was tabled to this effect which was, unfortunately, defeated.

### 3 *The Closed Shop*

Nowhere was the Liberal spirit of compromise more evident than in the controversial debates over the closed shop.

This is a highly contentious issue and invariably drives the Conservatives and at least the 'left' of the Labour Party into class war dogma in which the closed shop is either hated or exalted.

Neither of these attitudes is particularly relevant. The Conservative Party found that however sophisticated the arrangements for dealing with the closed shop may be, it is impossible to legislate against them\*. But this should not be an excuse for the blanket acceptance of the closed shop, which the Labour Party proposed in the original Bill.

In a major concession the Liberal Party agreed to accept the fact of the closed shop so long as there were guaranteed safeguards for individual rights. Cyril Smith M.P. explained the Liberal attitude:

'The House will understand that it is a major concession on the part of the Liberal Party that it will accept the closed shop. . . . But we are prepared to accept the situation in order to get agreement on legislation required in relation to trade unions and industry. It is surely not unreasonable to ask the government to accept that there must be some concession from their side in that sort of situation . . . they should say in that situation that they will protect the individual. . . .'

*(Second Reading, House of Commons, 10th July 1974.)*

In return the Liberal Party demanded major guarantees to protect individual rights. To this effect Liberal M.P.s introduced a 'New Clause 5' which essentially established the right to belong to a trade union. It was intended to prevent the situation in which someone is refused admission or expelled from membership of a closed shop union for totally arbitrary (and often political) reasons, which in effect denies him his livelihood. 'New Clause 5' stipulated that:

No worker who is fully paid up and suitably qualified for employment shall be refused trade union membership on arbitrary or unreasonable grounds.

Before being subjected to disciplinary action from his union a member

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\*This was demonstrated in recent proceedings brought by a Mr. Joseph Langston. Langston was an employee with Chrysler U.K. in Coventry where the management have a 100 per cent membership arrangement with the unions. On the introduction of the Industrial Relations Act Langston resigned from his union, and his colleagues struck in protest. He was suspended on full pay for a period until he was eventually dismissed. He took his case to court, claiming that his dismissal had been unfair. After a long case he was finally told by Sir John Donaldson that in the interest of good industrial relations, he could not be reinstated in his former job, and that in certain cases the closed shop was in fact acceptable despite the law as it then existed. Langston eventually agreed compensation with Chrysler management.

must receive the charges in good time and in writing. He must be accorded a full and fair hearing and receive a written statement of the findings.

Every union member shall have the right to stand for office, and voting shall be by secret ballot.

In all probability these provisions would have been welcomed by the majority of shop floor members, but the Amendment was successfully opposed by the Government. Because of this the Liberal Party was unable to agree to the Government's proposals and accordingly withdrew its conditional acceptance of the closed shop.

Despite this it did achieve a substantial extension of individual rights in one area of the closed shop issue, when it successfully carried Amendment 66.

4 *The Right to Conscientious Objection to Membership of a Particular Union*  
Amendment 66 allows the individual to refuse membership of a particular union on any reasonable grounds and gives him recourse to legal action if he is dismissed for this reason.

One effect of this will be to allow people to choose to which trade union they wish to belong, and it provides an important protection in some industries, particularly journalism.

5 *The Right to Terminate Trade Union Membership*

This Amendment was introduced by the Liberal Party in the House of Lords and was unopposed during the Third Reading in the House of Commons.

It guarantees the right of the individual to resign his trade union membership providing he gives 'reasonable notice' and complies with any 'reasonable conditions'.

## **Other amendments—the Liberal Record**

### **1 *Picketing***

During the Second Reading the Conservative Party attempted to amend the Bill to allow for the government to regulate picketing activities of trade unions when requested to do so by Parliament (ostensibly this was designed as a safeguard against the kind of violent picketing which took place in Birmingham during the 1972 Miners' strike).

Liberal M.P.s voted with the Government against the Amendment on the grounds that an attempt to control picketing in the manner proposed would severely interfere with the liberty of the individual. Cyril Smith M.P. argued that:

'An individual in trade union terms has two basic rights: one is to withdraw his labour and the other is to persuade others to withdraw their labour in support of his cause.'

*(Second Reading, House of Commons, 10th July 1974.)*

In any case it is impossible to legislate for peaceful picketing and in all likelihood any attempt to do so would only worsen the industrial situation. The Liberal Party took the view that the incidence of violent picketing in this country is low and its importance often exaggerated—picketing is usually subject to the common sense of those involved.

### **2 *Code of Practice***

Again during the Second Reading the Liberal Party supported a successful Conservative Amendment to retain the Code of Practice which had been a feature of the 1971 Act. The Code was, and is, not legally binding (although it can be cited as evidence of an unreasonable industrial practice) and in many ways does not go far enough. But it does go some way towards encouraging

unions and employers alike to adopt a more reasoned and considered conduct in their industrial relations.

### 3 *The Rights of Minority Unions and the Closed Shop*

During the Second Reading the Conservative Party introduced an Amendment similar in effect to Liberal Amendment 66.

The Conservative proposals are designed to protect the rights of minority unions, and they enable an employee in a closed shop situation to join an 'appropriate' union other than the union which negotiated the closed shop agreement.

The Liberal Party supported the Amendment which was initially unsuccessful, but which decision was later reversed when it was learned that the votes had been miscounted.

### 4 *Trade Union Rules*

In the House of Lords the Conservatives successfully introduced an Amendment which defined subjects that union rule books must include. Among other things 'New Clause B' provides that union rules should include provision for the election and removal of officers, and for governing bodies at 'regular intervals'; specified disciplinary and appeals procedure; provision for membership application and an adequate appeals procedure against membership refusal.

Conservatives claimed, with some justification, that these proposals were similar to those made by the Donovan Commission in 1968. They do not go as far as the 1971 Act because they are not linked in the same way to a Registration procedure (although a successful Lords' consequential Amendment proposed that failure to comply with these regulations would lead to trade union benevolent funds being denied tax relief).

Thus although the Amendment requires that rule books should include specific *subjects*, it does not attempt to control the *content*. In general it provides for a democratic organisation in which certain rights of the individual are safeguarded, and enables the membership to exert a greater degree of control over the official organisation.

In view of this, and the fact that the proposals were broadly in line with those made in the Liberal Amendment on Registration, Liberal M.P.s voted to retain the Amendment on the Third Reading, which resulted in defeat for the Government.

### 5 *Rights of Workers Against Arbitrary Exclusion from Trade Union Membership*

Again in the Lords, a Conservative Amendment was carried which safeguards the individual from arbitrary exclusion or expulsion from trade union membership. Similar Amendments had been introduced by Liberals and Conservatives during the Second Reading in the Commons, but these had been defeated.

The Amendment guarantees the individual's right to belong to a trade union provided that he is occupied in the appropriate class of work and possesses suitable qualifications for membership.

Any person who satisfies these requirements yet is denied membership has the right to apply to an Industrial Tribunal, and then the High Court for a declaration stating his entitlement to membership.

These proposals are substantially similar to some of those contained in the Liberal 'New Clause 5' and hence the Liberal Party voted to retain the Amendment, resulting in another defeat for the Government.

## 6 *The Limitation of Trade Union Immunity to the Breaking of Employment Contracts Only*

A successful Lords Amendment (moved by the Conservatives) limited trade union immunity to the breaking only of employment contracts, as opposed to commercial contracts, after similar attempts by the Liberals and Conservatives in the Commons had failed. The Liberal Party voted to retain the amendment during the Third Reading, and the Government was again defeated.

## 7 *Limitation to Participation in International Strikes*

During the Third Reading Liberals voted in favour of a Conservative Lords' Amendment to restrict immunities for those workers involved in an international dispute to cases in which British workers are affected by the outcome of the dispute. The Amendment was successful.

# EMPLOYEE PARTICIPATION AND INDUSTRIAL DEMOCRACY

## The Labour Party and T.U.C.

Both the Labour Party and the T.U.C. have taken significant steps towards embracing the principle of industrial democracy within the last year.

The T.U.C.s proposals are to be found in the Report by the General Council to the 1974 Congress entitled 'Industrial Democracy'. Labour sets out its ideas in two green papers: 'Capital and Equality' and 'The Community and the Company'. The main proposals are:

- 1 An extension of local collective bargaining. According to the T.U.C. this is the primary method of improving industrial democracy (we already have a degree of democracy through the present bargaining system). The report suggests that the scope of industrial bargaining to include an increasing number of subjects in the non-wage area has in fact been expanding and will continue to do so providing that there is no interference from outside.  
It would however require statutory obligation for companies to provide a wide range of information necessary to collective bargaining. (Such a requirement would probably be included in the Labour Party's proposed Protection of Employment Bill.)
- 2 Statutory obligation, in a new Company Act, for companies to have regard for the interests of workers as well as shareholders—however this stops short of making employees members of their company. ('The Community and the Company'.)
- 3 Statutory obligation, in a new Company Act, for a two-tier board structure in every company employing over 2,000 employees. This could be extended to smaller concerns, employing over 200, at a later stage. ('The Community and the Company' and 'Industrial Democracy'.)
- 4 50 per cent of the Supervisory Board is to consist of trade union members, directly elected through the trade union machinery. Where unions are not recognised there will be no such representation. ('The Community and the Company' and 'Industrial Democracy'.)
- 5 Worker representatives need not be employed by the firms concerned. They could, for example, be full-time officials. ('The Community and the Company' and 'Industrial Democracy'.)
- 6 Similar representation is to be extended to the nationalised and public sector. In the case of nationalised industries representation is to apply also to intermediate management levels.
- 7 A National Workers Fund is to be established. Firms would make regular payments into the Fund in the form of equity shares, at a rate of 1 per cent

of the total share value every year. (Because this would be on an accumulative basis, control of firms would never pass completely to the Fund.) Firms with no share issue would make equivalent cash payments.

The Fund would be managed by a Governing Council comprising elected trade union representatives and specialist advisers appointed by the government. The Fund would be able to buy into firms wherever necessary, to protect workers interests.

Workers would be issued with certificates whose value would be calculated on their National Insurance contributions, and which could be exchanged with the Fund for its share value.

T.U.C. support for employee representation, despite the qualifications, remains highly reluctant. The Labour Party provides the reason why:

'We consider that behind the T.U.C. conditions is a rationale of fundamental importance . . . namely that trade union participation at board level must be a supplement to, and not in any way detract from, the trade unions' position in collective bargaining.'

'Indeed wherever it can be shown that worker representation at board level will clearly damage collective bargaining the experiment should not be undertaken.'

(*The Community and the Company*, p.12.)

This attitude has significant implications for the meaning of participation and indeed of democracy. Most important is the T.U.C. specification that worker representatives should not be responsible to the company as a whole, despite the fact that the T.U.C. would redefine 'the company' so as to include the interests of employees.

'It is not acceptable that the worker representatives should have the same rights and duties as other members of the Supervisory Board; the worker representatives must be free to pursue the interests of their constituents.'

(*Appendix to T.U.C. Interim Report 'Industrial Democracy', 1973, p.46.*)

### **The T.U.C. Attitude to Works Councils**

The General Council comes out clearly against Works Councils. The central feature of the T.U.C.s proposals is that progress in the field of industrial democracy can only be made if representation is firmly based on trade union organisation.

In its view, works councils would duplicate the existing plant structures (i.e. shop stewards committees), 'in which case (they) would be clearly superfluous', or else they would displace existing union arrangements—'even more unacceptable'.

### **T.U.C. and Labour Party Attitudes to Company-based Profit Sharing**

On company-based profit sharing and similar schemes the T.U.C.'s standpoint is ownership and control. It is critical of profit sharing because it does not involve ownership in the sense that ownership implies control. It is equally disapproving of shareholding schemes because to imply control would involve an enormous distribution of shares.

The Labour Party raises another objection. In its view the most serious of all criticisms to be levelled at company-based profit sharing is that:

'Such proposals ignore the functions of trade unions and collective bargaining, and by establishing alternative channels which can be used to bypass trade union machinery can create new sources of tension within the enterprise.'

(*The Community and the Company*, p.10.)

## Liberal Criticisms of T.U.C. and Labour Party Proposals

- 1 Whereas the starting point for Liberal policy is a sense of partnership within industry, the Labour Party and the T.U.C. approach hinges on the belief that the interests of the two sides of industry are irreconcilable. The Labour Party puts the case clearly when discussing profit sharing:

'(such schemes) can encourage the belief that the interests of managers and those of workers . . . are identical.'

'This kind of approach . . . is the very antithesis of democracy. For surely there is no such identity of interests.' (*'Capital and Equality'*, p.12.)

And again, when discussing proposals to make employees members of their companies:

'We do not believe that support could be given to this approach. The concept of a "member" is an antiquated one, bequeathed to company law by the old law of partnership.'

(*'The Community and the Company'*, p.10.)

The Liberal Party rejects this attitude completely, and it is in fact the main aim of our policy to unite the interests of shareholder and employee, capital and labour.

- 2 Neither the T.U.C. nor the Labour Party see any need for Works Councils, and they generally regard the existing system of collective bargaining to be an adequate substitute. Yet even where joint shop stewards committees are already functioning, disputes can and do occur because employees feel frustrated and alienated from the decision making which affects their working lives. Implementation of a comprehensive Works Council system would go a long way towards removing these problems, and the existing method of collective bargaining is therefore not seen by the Liberal Party as being an adequate substitute for Works Councils.
- 3 By concentrating on collective bargaining the T.U.C. is apparently ignoring the dilemma of public sector employees (of whom there are over six million) and of many white-collar workers in the private sector. Collective bargaining in the sense that the T.U.C. uses the term is often non-existent or extremely deficient in these areas.

One of the advantages of the Works Council is that it can be established in all sections of industry, and is equally applicable to blue and white collar workers.

- 4 The provision for 50 per cent trade union representation on Supervisory Boards will serve only to extend the existing conflict in industrial relations right the way through the company structure. This strict adherence to a rigid separatism means that neither the T.U.C. nor the Labour Party are really talking about participation in the real sense of the word—merely paying lip service to it.
- 5 Insistence that all representation be through existing trade union machinery effectively excludes at least eight million employees who are not unionised. Furthermore the T.U.C. is adamant that wherever unions are not recognised there shall be no such representation.

It is important that *all* employees should be represented.

- 6 Both the Labour Party and the T.U.C. lay continual emphasis on the principle that the development of industrial democracy should be pursued through the creation of a 'single channel of communication between worker representatives and management. That channel is the machinery of the trade union'.

The effectiveness of the T.U.C.s proposals will ultimately depend on the lines of communication between the trade union representatives on the Board and their members. This is especially so in the case of the full-time official who whilst not employed at a particular firm may well find himself acting as representative to its employees.

Yet often within trade unions, communications are so poor as to make this kind of representation meaningless. The growth in recent years of unofficial strikes, and unofficial shop stewards committees was more than the result of 'two conflicting systems of industrial relations'. It reflects the alienation of union officials themselves from their shop floor members, their interests, and the realities of shop floor life.

A recent D.E.P. survey confirmed these assumptions (*Workplace Industrial Relations*, a survey carried out in 1972 on behalf of the Department of Employment. By Stanley Parker). Most of the shop stewards interviewed said that they had little contact with full time officials, and nearly one-third said that they had difficulties even to contact them. Yet only two in five wanted this contact to be increased which is perhaps a good indication of how relevant the official union structure is to the shop floor member.

#### 7 *The National Workers' Fund*

There is some justification for this scheme in that it affords a degree of protection to employees whose firms have zero or even negative growth rates. Nevertheless the claims of the Labour Party that employees will control the Fund and that they will participate directly in the wealth that they create are not justified. The fund will probably be managed nationally by trade union officials and government nominees. The only opportunity for employees to have a say in how the fund is used arises in special circumstances such as when the Fund purchases shares in the firm where an employee works. On such occasions the Council *may* co-opt an employee from the firm concerned but this is entirely at the Council's discretion—there are no rights involved.

Furthermore there is a distinct possibility that the fund could merely develop into an instrument of the proposed N.E.B. and that participation in the creation of wealth will come to be equated solely with public ownership.

#### **A National Minimum Wage: the Transport and General Workers' Union**

In a document entitled 'The Case for a £30 week' the T.G.W.U. seeks support for a minimum wage level of £30 a week. This is based on Department of Social Security calculations that a married couple with two children can receive £30.19 per week in supplementary benefits. The union argues that minimum wage levels should at least be comparable to the minimum standards laid down by the state.

The document expects normal trade union activities to make the £30 week a reality, but suggests that as a first step the Government's proposed Employment Protection Bill could include a clause allowing a trade union to apply for an order from the Conciliation and Arbitration Service (replacing the Commission on Industrial Relations) forcing employers to pay a decent minimum wage.

The report is to be sent to the T.U.C. and affiliated unions for consideration.



## Conservative and C.B.I. Proposals

The last Conservative government repeatedly promised a green paper on participation. It never appeared and there is no indication that it ever will.

A share ownership scheme was proposed in the last budget of the Conservative government, enabling employees to purchase shares in their companies at 70 per cent market value. This is quite unsatisfactory as only the better-off employees could afford to take up the option. A Liberal wealth sharing scheme would benefit *all* employees.

The Conservative Party Central Office did produce a pamphlet entitled 'Workers on the Board' but this was extremely general and contained no definite proposals.

A Bow Group Study (Employee Participation) is worthy of more attention. It attributes one of the main reasons for the conflict in industrial relations to the inadequacy of the company structure and proposes:

- 1 A maximum of 25 per cent employee representation at Supervisory Board level, either union or non-union. Provision also for up to 25 per cent public interest representation.
- 2 On important decisions, such as mergers, take-overs and so on, the worker and public interest representatives would have the right of veto, and could refer the proposals to the Director-General of Fair Trading.
- 3 Works Councils would be established in all firms employing more than 100 people. Its powers would be established in a Code of Practice, but broadly it would have the right to information consultation and to take industrial action after procedure has been exhausted.
- 4 An employee capital fund would be established and administered by trustees empowered to buy shares anywhere. Income would come from annual payments made by the firm and from the excess of any wage agreement the application of which is restricted due to incomes policy requirements.

Needless to say, there is no evidence that these proposals are being taken up by the Conservative Party. It is possible that the Conservative manifesto will set out to improve *co-operation* between employees and management, but these will stop a long way short of *participation*. Possible measures could include:

Experiments in the nationalised sector in employee representation at Board level.

All companies over a certain size would be required to give more information than at present to employees.

Plans for regular joint consultations between management and employees would be made compulsory.

Commenting on these proposals (*The Times*) had this to say:

'Building on the concept of joint works councils, the Conservatives want to see representatives of all groups of workers given representation in regular joint consultations. But they will not go beyond compulsory consultation.

In that sector they lag far behind the Liberals, who have been committed for many years to the sharing of decision making.'

(25th July.)

## C.B.I.

Within the C.B.I. the idea of Works Councils has some support, but employee directors are unpopular, and the limited support for Supervisory Boards tends

to be for the 1/3 employee, 2/3 shareholder representation. Consultation is generally acceptable but co-determination is usually not.

A basic criticism of all these proposals was made by Richard Wainwright M.P., speaking at a Financial Times Conference on Industrial Relations:

'Liberals fault the present Government's approach mainly because it takes power, and the centres of decision, even further away from the actual place of work. Even when Labour proposes worker participation this is in terms of trade union representation on boards which could produce absentee directors rather than workers sharing in the policy of their own workplace.'

Productive and creative industrial relations are born at the place where people work and where their pay packet is actually produced. Trends amongst trade unionists and employers to keep decisions on a remote national level are the enemies of industrial peace.' (London, July 3rd.)

## THE LIBERAL APPROACH

Liberal policy on industrial relations is designed to foster a sense of partnership within industry. This has been the aim of the Liberal Party for well over fifty years—long before Labour and Conservative groups began to consider industrial democracy. In 1920, the Leader of the Liberal Party, Mr. Asquith, said: 'Let us associate labour with the management of industry, so as to secure for it a living voice in the conduct of the adventure to which it is committed, and a fair apportionment of the fruits.'

In seeking to create this partnership, Liberal policy rejects a legalistic approach, which characterised the Conservative legislation, and looks at industrial relations logically, from an industrial standpoint.

Industrial disputes can occur for a variety of reasons which have nothing to do with wage demands. A substantial proportion of strikes every year are to do with *conditions* of employment and represent the demand by employees to have a greater voice in the decision-making which affects their working lives. They are also the result of a concern for *security* of employment and often simply due to a breakdown in communications. The recent Department of Employment Report, mentioned above, fully confirmed these assumptions and provides further justification of Liberal policy development in this field. The report found that better relations and communications with management were considered by workers to be preferable to pay rises.

This points to a long-standing need for individual involvement and suggests a feeling of dissatisfaction within industry where workers feel that their interests are different to those of management. It is the aim of Liberal policy to create involvement, and to unite these interests.

## Liberal Policy

With these facts in mind Liberal policy is directed towards improving the rights, representation, and reward of all employees within industry, whether public or private, 'blue-collar' or 'white-collar'. It must be emphasised that the individual proposals in each of these areas are not regarded as providing a solution in themselves. Only when taken collectively will the separate items be fully effective.

### Rights

Much of the insecurity and bitterness in industrial relations would be removed if the employees had the same rights and membership of his company, in a new Companies Act, as the shareholder, and a basic standard contract of

employment stating clearly what his or her rights are in the area of employment. Employee rights would in fact be greatly improved with the implementation of works councils and profit sharing schemes (see below), but a basic structure of rights must be guaranteed. In doing this the Employee Charter Bill lays the foundation for effective employee participation.

### *Representation*

Proposals for representation are directed at two levels and are designed to ensure that employees play a part in the decisions taken as to how their firm is run.

Participation is most relevant at shop floor level and hence works councils are the first element in this policy. They are provided for in a Liberal Works Council Bill, details of which are set out later in this section. The councils' major role would be in negotiations and the co-determination of working conditions and job security. They would be councils of the whole works which would be responsible for determining the opinion and aims of all employees below management level. Management would be obliged to send representatives for the purposes of information when requested by the council, but they would of course have no voting rights.

The works councils would be selected directly on a single list according to the principles of the single transferable vote which would enable cross voting thus ensuring a high degree of representation.

Nominations would not necessarily have to come through the trade union machinery; Works Councils are designed for all employees and a considerable number of firms do not have 100 per cent trade union membership—indeed many have no trade unions at all.

It should be emphasised that these proposals are not intended to undermine the trade union movement. Indeed their effective implementation will depend heavily on the support of trade unionists and their willingness to use their solidarity. (For their part trade unions will benefit by making full use of the opportunities presented by these measures.) In establishments which elect shop stewards today it is to be expected that the same people will be elected as works council members.

This being so, a common argument of the T.U.C. is that there is no need for works councils—the shop stewards committees serve just as well. Yet the functions and effectiveness of such committees vary from place to place. They are an informal arrangement with no rights as such, and often considerable energy is devoted to bargaining simply for the right to be consulted over certain issues. In many white collar areas even this is denied—witness the struggle many unions have in achieving recognition. Works councils would enjoy constitutional and statutory rights which are denied traditional methods of collective bargaining.

In any case, these methods often leave much to be desired from the point of view of good industrial relations. As the Donovan Commission pointed out when discussing unofficial strikes:

'(They are) above all the result of inadequate conduct of industrial relations at company and plant level. They will persist so long as . . . the methods of negotiation adopted at the workplace remain in their present chaotic state.'  
(*paragraph 454.*)

The remedy suggested (although it was forecast by the Liberal Scott Cairns Commission as long ago as 1949) was formalisation of bargaining at plant level. The precise method was never suggested and formal machinery

or local bargaining still does not exist in many industries. Works councils would fill this void and in this respect are essential. They cannot of course be established overnight and a transitional period would have to be allowed for; nevertheless legislation would provide the necessary impetus and incentive.

Employees must also play a part in the long-term decisions as to the direction the firm or enterprise is to take, about possible mergers, take-overs, and so on. This means that the employee must be represented on the board of directors and have a vote in the election of those directors. This involves the introduction of a two-tier board system: a management board to run the company day to day which would be responsible to and appointed by, the Supervisory Board which would determine the overall strategy of the firm.

This is provided for in the Liberal Employee Voting Rights Bill, already fully drafted. In order to promote genuine participation and cohesion, employees and shareholders would each have 50 per cent of the voting rights. Nominations would come from both groups but voting would be by the single list method according to the principles of the single transferable vote. Because of cross voting this would again ensure that eventual members would require a broad basis of support which would tend to prevent the present conflict on the shop floor from being transferred to board level.

### *Reward*

Participation in decision making must be accompanied by participation in the creation of wealth. If companies are run with the maximisation of shareholders' profits as the over-riding criterion, then it is not surprising that employees see their necessary aim as achieving the highest wage possible no matter what the financial position of their firm. By providing for profit to be shared amongst employees as well, Liberal policy aims to achieve equality of distribution between shareholders and employees. Without this there can be no genuine long-term co-operation.

Obviously no one scheme will do for the whole of industry. In much of the public sector for example, profit making is irrelevant; and even in private industry the circumstances of each firm vary considerably. The key to the Liberal approach is that there must be flexibility. But we do insist that schemes should be locally based as it is only in this context that participation will be meaningful. (This is to be compared with the Labour Party proposals for a National Workers' Fund in which 'participation' begins and ends with the issue of share certificates.)

Profit sharing, or its equivalent, is not a panacea for all ills in industrial relations, but when taken in conjunction with the other proposals outlined in this section, it has a valuable role to play.

The Liberal Distribution of Wealth in Industry Bill, establishes guidelines for the drawing up of such schemes and also provides for a given period in which such schemes must be collectively agreed.

### *Minimum Incomes*

Finally, Liberal policy does not intend that these measures should be a substitute for a decent and fair living wage. Indeed, however good the industrial relations policy, it will be undermined if there is perpetual confrontation over wages and salaries. Hence the success of these measures will depend to some extent on Liberal Economic policy proposals, particularly those for dealing with inflation. Nevertheless much of the current unrest is due to excessively low wages in certain areas, and to 'differential bargaining' generally. To help remove this inequality the Liberal Party has introduced a Minimum Incomes

Bill, which seeks to guarantee a minimum incomes level at two-thirds of average industrial earnings. In conjunction with profit-sharing schemes, this will provide a firm economic foundation on which full participation can be built.

### **Liberal Policy and the Nationalised Industries**

Liberal policy advocates that all aspects of its industrial democracy proposals should be applied to the Nationalised Industries as well as to the private sector.

For instance, all provisions of the Employees Charter and Minimum Incomes Bill will apply to employees working in these industries. The proposals for redistributing wealth in industry are equally applicable.

Since a considerable part of the nationalised sector is non-profit-making, clearly profit-sharing schemes are irrelevant. Hence the employer in nationalised industries would pay into an Employees Fund, administered by Trustees including employee representatives. The amount paid into the fund by the employer could be related to a national index of average profit-share distributed in industry. Alternatively it could be based on improvements within the employees own industry—perhaps in increased production, efficiency, or capital formation. Again, contributions would be comparable to the going rate in private industry.

Similarly with representation, works councils would be compulsory in the nationalised sector. However, Liberal proposals for employee participation in the election of directors would have to be adapted in the case of these industries to allow for their nature, size, and generally more complex management structure. A system of two-tier boards could operate, and each National Board of Control could appoint an Executive Board to conduct the daily management of the enterprise.

Employees, Parliament, and Public Interest representatives would nominate and elect members to the National Boards. However the voting system would differ to that used in the private sector. For obvious reasons there could be no system of voting rights where the different bodies jointly elect members to the Boards. Instead, employees and public interest representatives would be able to elect a specified number of members on to the National Boards of Control, the rest being appointed by Parliament.

Policy in this field must, of necessity, be flexible because the structure of the different nationalised and public industries varies considerably. Hence it is envisaged that employee participation should apply first of all to the basic industries and services, such as coal, electricity, gas, British Railways before being extended to cover the whole of the state-owned and public sectors.

### **Liberal Party Survey on Employee Participation**

A survey carried out in 46 constituencies as part of the Liberal Party Industrial Campaign showed that there is widespread support for employee participation from all sections of the community.

52 per cent of people thought that employees should have a greater voice in how their companies are run—40 per cent of Conservative respondents supported this view.

56 per cent of those questioned felt that directors should be elected jointly by employees and shareholders. The majority of Conservative respondents agreed with this proposal.

63 per cent wanted works councils established, 53 per cent of Con-

servative and 74 per cent of Labour supporters agreeing with this suggestion. 73 per cent of the respondents wanted profit sharing, including 76 per cent of Conservative supporters.

Another survey sent out to 900 companies revealed that only 1 per cent of employers were satisfied with the present system of industrial relations. 63 per cent wanted a major initiative on employee participation undertaken in the context of the E.E.C. proposals.

## **The Liberal Bills**

### *The Works Council Bill*

The Works Council Bill has been introduced in the House of Commons by David Steel M.P.

- 1 The Bill provides that works councils shall be established in every company employing more than twenty people. In firms employing less than twenty people there should be regular quarterly meetings of all employees which would perform the same functions as works councils. The Bill goes on to define the rights, functions, and responsibilities of the works councils:
- 2 It stipulates a wide range of matters which companies must determine in conjunction with the councils. Amongst the most important of these are:
  - All existing and proposed employment practices and procedures including procedure on job classification, performance reviews, dismissals and redundancies.
  - Any major change in relation to production programmes, working methods, and procedures.
  - Fundamental changes in aims, organisation, or structure of the works or company, including mergers and take overs.
  - All existing or proposed arrangements for occupational health and safety.
  - In particular, agreements must be reached jointly concerning regulations relating to grievance procedures, discipline, hours of work, and breaks.
- 3 *Redundancy and Dismissal*  
The company must consult with the works council justifying its action. The council can object on several grounds relevant to most situations in which case the final decision will rest with an independent industrial tribunal.
- 4 *Disclosure of Information*  
The list of items to be made available to works councils is comprehensive and includes such things as production levels and targets, financial and economic results, and investment planning.
- 5 The Bill provides for regular departmental meetings for all firms employing more than fifty people. There is also provision for at least three general meetings every year convened to discuss works council reports and other matters. A special Assembly can be called at any time if it is the wish of 20 per cent of those employees entitled to attend the Assembly.
  - Once a year management would report to the Assembly on the annual accounts and plans of the company.
- 6 The Bill stipulates that responsibility for initiating the scheme rests with management. An Industry Council Board would be established to ensure that works councils are constituted and functioning properly.

### *The Employees Charter Bill*

This has been introduced in the House of Commons by the Rt. Hon. Jeremy Thorpe M.P. and provides for:

- 1 Amendments to the Companies Acts 1948 and 1967, making it obligatory for employers to respect the reasonable interests, dignity and security of its employees.
- 2 Employees to become full members of their companies, defining the rights involved which include access to all information which shareholders receive.
- 3 An end to the unnecessary and divisive distinction between staff and non-staff, executive and clerical workers, particularly in relation to terms of employment and pension schemes.
- 4 One day's holiday per year for every eighteen days work.
- 5 Paid leave in special circumstances, and entitles women to six months unpaid leave of absence without loss of seniority for childbirth. Employers of more than 500 women at one location must provide creche facilities.

### *The Minimum Incomes Bill*

The Bill has been introduced in the House of Commons by John Pardoe M.P. Its aim is to establish a minimum income level in the region of 2/3 average industrial earnings.

The Bill establishes a basic rate per hour which all employees over the age of 23 shall receive for a maximum 40-hour week. Employees over 18 and under 23 suffer a slight reduction in this rate on a sliding scale. For those people working a minimum of over 40 hours the basic rate is to be reduced initially. It will be increased over a period of four years, as the number of normal working hours is reduced to 40.

At the time the Bill was introduced average industrial earnings were around £24 per week, and hence the original basic rate was given as 60p for men, and 40p for women. The figure for women would have increased by 10p in 1974 and a further 10p in 1975 in line with the provisions of Equal Pay Act.

The basic rate is of course indexed to increases in the average male industrial earnings level (2/3p being added for every 1p increase in that level), and would currently guarantee an income of about £30 per week.

It has been estimated that these measures would add only 3 per cent to the national wages bill over four years, whilst greatly improving the position of the lower paid.

### **Bills Which Will be Introduced**

#### *The Distribution of Wealth in Industry Bill*

This Bill is already fully drafted and makes it compulsory for every firm with more than 50 employees to draw up within a given period a scheme for the distribution of achieved profit amongst employees as well as shareholders. The scheme would have to be agreed by the company Supervisory Board of Control (with 50 per cent employee voting rights in the election of members), the company works council, and a special government department.

The schemes could take a variety of forms, according to the nature of the industry or the circumstances of the firm. For example, profits could be distributed in the form of cash, or shares, or cash and shares, with an incentive scheme to give employees the opportunity to buy shares at a special rate. An Employee Savings Trust might be established, employees investing savings, each amount being matched by a contribution from the employer. Alterna-

tively, an Employee Fund might be set up in which the employer pays an agreed percentage of profit, or of the total wage bill, into a fund which is administered for the benefit of employees by trustees, including employee representatives.

Arbitration procedures in the case of failure to agree are laid down and a code gives guidance regarding the criteria by which particular schemes will be judged.

The Bill does however exempt small businesses from these provisions with the aim of safeguarding firms which have been set up and financed by the efforts of one man or a few partners who work all hours to make their enterprises viable.

#### *The Companies (Employee Voting Rights) Bill*

This Bill amends the Companies Acts so as to provide employees with the right to representation on Supervisory Boards of Control.

The Bill stipulates that every company employing 200 or more full time employees shall be administered by an Executive Board under the supervision of a Supervisory Board of Control, to which it will be responsible.

Employees and shareholders each have 50 per cent of the voting rights and nominations can be made by either group, all candidates eventually being entered on a single list. The election will be by the single transferable vote method.

Smaller companies (employing 50 to 200 people) would be managed by a single board elected on the same basis.

#### *The Protection of Employment Bill*

The Bill will seek to give security to employees and to protect them against redundancies caused by, for instance, take overs and mergers.

The Bill will provide for agreed procedures for social agreements between an employer employing more than 20 employees, and a works council, to give adequate notice of possible redundancies, and provision for re-deploying and retraining. Such agreements would be made subject to the approval of the Department of Employment.

Where there is a disagreement between the works council and employer the matter could be heard by an Industrial Tribunal.

## **APPENDICES**

### **1 TRADE UNION MEMBERSHIP—THE FACTS**

There are 11 million trade unionists in the U.K., of whom 10 million belong to trade unions affiliated to the T.U.C. (*Source T.U.C.*)

The average rate of increase in membership during the period 1962/72, was 1 per cent per year. (*Source D.E.P.*)

There are 3 million 'white-collar workers' and 7 million 'manual workers' in unions affiliated to the T.U.C. (*Source T.U.C.*)

There is a working population of 25 million. The *real* potential for trade union membership is about 19 million (this excludes such groups as employers, self-employed, insurance, finance, and certain service industries where trade unions would be highly unlikely.) Present trade union membership accounts for about 58 per cent of its potential figure. (*Source D.E.P.*)

There are approximately 11 million manual workers, and 8 million 'white collar workers' who are either union members or who would be likely to join trade unions. (Estimates based on D.E.P. figures.) Present 'white-collar' trade



union membership accounts for about 37 per cent of the potential figure; 'blue-collar' trade union membership represents 63 per cent of the total figure. (T.U.C. affiliated membership only.)

## 2 STRIKE TRENDS

### Stoppages 1963-74

Year	Number of stoppages	Number caused by disputes over conditions of employment (e.g. excluding wage claims and other wage disputes.)	Working days lost (000's)
1963	2,068	1,112	1,755
1964	2,524	1,316	2,277
1965	2,534	1,354	2,925
1966	1,937	1,054	2,395
1967	2,116	1,130	2,787
1968	2,378	1,148	4,719
1969	3,116	1,334	6,925
1970	3,906	1,441	10,980
1971	2,228	1,073	13,589
1972	2,497	1,020	23,923
1973	2,873	1,611	7,145
1974 (up to July)	1,300	—	8,791

On average, nearly half (48 per cent) of the disputes occurring every year during the period 1963/73 were to do with *conditions* of employment as opposed to wage claims and other wage disputes.

The Industrial Relations Act came into force in 1971. The average number of stoppages during the period 1971-73 was 2,532 per year; the average number of working days lost per year was 14,885,000.

### International Comparison of Average Number of Working Days Lost Per Year Through Industrial Disputes

	Sweden	Germany	France	U.K.
1964-1966	21,033	30,772	2,000,170	2,532,333
1967-1971	221,740	1,048,191	3,139,258	7,800,000

## 3 THE E.E.C. AND EMPLOYEE PARTICIPATION

Employee participation through Works Councils and through the election of directors has been the rule rather than the exception in many European countries for a considerable time. For example the only countries where works councils are not compulsory and fully functioning are the U.K., Eire and Italy. Profit sharing is also widely practised.

### Statute for the European Company

This provides that the company structure shall have three authoritative bodies: a General Meeting (the supreme body), a Supervisory Board, and a Board of Management.

Shareholders will appoint 2/3 of the members to the Supervisory Board, the rest being appointed by employees' works councils.

### Draft Fifth Directive on Company Law

This will apply to all public liability companies employing more than 500 employees. It provides an alternative system for appointing worker representatives on to Supervisory Boards.

The alternative envisaged is a system of co-option on to the Board to provide a 'balance' between shareholder and employee representation, coupled with the right of worker representatives and shareholders to oppose appointments on the grounds of 'incapacity'. This claim must be sustained by an independent tribunal in order to be effective.

## 9 MACHINERY OF GOVERNMENT

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### LIBERAL POLICY AIMS

#### *Central Government*

- 1 To establish Parliaments in Scotland and Wales and elected Assemblies in the regions of England, with full budgetary control over domestic affairs, within a Federal system of Government.
- 2 To reform the Constitution of Northern Ireland and work for a permanent settlement which is acceptable to all in the province.
- 3 To reform the electoral system so that it truly represents the will of the electorate.

#### *Local Government*

- 1 To devolve as much power as possible to Local Authorities.
  - 2 To democratise the administration of public services at local level.
  - 3 To ease the burden of revenue raising at local level and give local government greater financial independence.
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### A THE REFORM OF GOVERNMENT

#### **The need to transfer Power**

Since the last century, Liberals have been urging that Scotland and Wales should have their own Parliaments to manage their own affairs. One of Mr. Gladstone's statements which can actually be substantiated is to the effect that:

'If we can make arrangements under which Ireland, Scotland, Wales and portions of England can deal with questions of local and special interest to themselves more efficiently than Parliament now can. . . . I will consent to give Ireland on principle nothing that is not upon equal terms offered to Scotland and to the different parts of the United Kingdom'.

*26th November 1879.*

For some years modern Liberals have been aware of the growing dissatisfaction in Scotland and Wales with the present structure of Government. The feeling was, and still is, particularly strong in Scotland with many of its people (not just Nationalists) resenting the fact that London was hundreds of miles away, and no more aware of their own particular needs than, say, any Eskimo. Those M.P.s with large majorities tended to be seen less and less regularly, arriving at election times with a smile and a wave, before being re-elected and disappearing once more to London.

Admittedly there is a Scottish Office, but it is remarkably out of touch with the feelings of the people it serves. For example, against common sense and local opinion, the Orkney and Shetland Isles were recently combined in a Water Board, with a hunk of the Mainland thrown in. There have been other errors of judgement, and it is not difficult to pin-point why they happen. Like his Welsh counterpart, the Scottish Secretary of State wears several Ministerial

hats, and in his pamphlet *Out of Control* Mr. David Steel M.P. showed why Ministerial control was so weak.

'The Secretary of State is Scotland's Minister of Agriculture. The English Ministry has no power in Scotland except over animal diseases and emergency food supplies. In England there is a Minister of Agriculture who is a member of the Cabinet and two parliamentary secretaries. He is also Scotland's Secretary of State for Education (which in England has a Minister in the Cabinet, two ministers of state and two under-secretaries). The English Ministry does have power in Scotland over universities and scientific research.

'The Ministry of Health (in England a Minister and a parliamentary secretary) has no power in Scotland and the Secretary of State has responsibility for the health service in Scotland.

'The Secretary of State is also Scotland's Minister of Housing and Local Government (in England a Cabinet Minister plus two parliamentary secretaries).

'In the absence of the Lord Advocate and Solicitor-General from the Commons the Secretary of State must accept ministerial responsibility for their work. In England the Attorney-General and Solicitor-General are both members of the House of Commons. It has always been more difficult to persuade Scottish lawyers to serve in the Commons, because they have obviously more physical difficulty than their English counterparts in combining legal practice with parliamentary work, hence there is a lack of candidates in the Commons for the Scottish law government posts.

'The Secretary of State is virtually Scotland's Home Secretary, although the Home Office has responsibility in Scotland for immigration, naturalization, legislation on racial discrimination and vivisection. (In England the Home Office has a Cabinet Minister, a Minister of State and three under-secretaries. It alone has the same complement in fact as the Scottish Office.)

'Since the creation of the Department of Economic Affairs in England (a Cabinet Minister and two under-secretaries) the Secretary of State has had part responsibility for economic planning in Scotland. There was a separate Scottish National Plan. He is Chairman of and appoints the Scottish Economic Planning Council.

'The responsibilities of the Ministry of Power for electricity supplies are carried out in Scotland by the Secretary of State, while the English Ministry (a Cabinet Minister and a parliamentary secretary) covers electricity in England plus gas, coal, oil, nuclear power, etc., for the U.K.'

*Note* Since this was first published in 1968 there have been changes in the arrangements of Ministers which do not affect the argument.

'Thus even making subtractions for those U.K. ministries with certain responsibilities over Scotland we can say that for the functions which in England are the responsibility of about five cabinet ministers, four other ministers and ten under-secretaries, the Secretary of State for Scotland (who is in the Cabinet) plus one Minister of State and three under-secretaries have responsibility in Scotland. The result is a great deal of power concentrated in a few hands. The Secretary of State himself has to be jack-of-all-trades and therefore is almost bound to be master of none. As each new Secretary of State is appointed hopes are raised in Scotland only to be dashed by subsequent performance in office. It is time we stopped

looking at personal failures and recognised the impossible nature of the office itself.

'There is a Scottish Grand Committee, but, as David Steel pointed out, apart from dealing with legislation it is a mere talking shop, and its meetings are scandalously few. In a sample period of six years its meetings were as follows:

1960/61 8 sittings

1961/62 7 sittings

1962/63 8 sittings

1963/64 6 sittings

1964/65 8 sittings

1965/66 6 sittings

(*Out of Control*—D. Steel M.P.)

It is only possible in this chapter to give a brief indication of all the reasons why Parliamentary power should be transferred to Scotland and Wales. Liberal Members of Parliament led by Mr. Jeremy Thorpe have introduced private members' Bills into the House of Commons on several occasions under Labour and Conservative Governments. They have sought to impress upon the Government the need for action now, before militant unreason takes over from rational discussion. So far the response from the other parties has been limited.

## CONSERVATIVE AND LABOUR ATTITUDES

The Conservative and Labour Parties first began to show interest in the possibilities of devolution following the success of Scottish Nationalist and Plaid Cymru candidates in by-elections at Hamilton, Carmarthen and Caerphilly in the late 1960's. This interest declined relative to the decline in the fortunes of the nationalists in the 1970 election but has once more re-kindled following the return of 7 Scottish Nationalist and 2 Plaid Cymru M.P.s at the 1974 election. The current position of the parties is as follows:

## THE CONSERVATIVE PARTY

### Scotland

The Conservatives have always been far more interested in Scotland than in Wales where their influence is slight and is declining. In 1969 the Conservative Party set up a Committee under the Chairmanship of Sir Alec Douglas-Home, and in the end proposed a legislative assembly which in the words of the *Daily Telegraph*:

'They will equip Scotland with a "mini" Parliament. Westminster, however, would have the final say, and, in certain cases the report stages of Bills would be taken both in the Commons and in Edinburgh.

'Of the many objections to these bizarre arrangements which would be expected, the chief is this: they would provide a focal point for Scottish separatist feeling without making any substantial concessions to it. Endless possibilities of deadlock and dispute would provide endless and unnecessary occasions for bitterness. Sir Alec and his colleagues were apparently concerned to find a solution which would both safeguard the unity of the United Kingdom and bring about a reasonable measure of devolution. What they propose would frustrate both'.

*Daily Telegraph, 25th March 1970*

The Conservatives have not progressed beyond these proposals which envisaged an indirectly elected assembly drawn from the new regional and

district councils, with deliberative and inquisitory functions and taking from Westminster certain stages of Scottish Bills. There would be no associated Scottish executive and the assembly would not have power to initiate legislation. This hardly amounts to any significant policy of devolution and has been criticised by some Conservatives as inadequate to meet the Nationalist threat. T. J. O. Hickey writing in *The Times* commented:

'Conservatives in Scotland have been blowing the dust off the report and inspecting its merits in the new light cast by the polls on February 28th. Refusal to countenance anything that might conceivably weaken the union is still a common attitude in that party, but the most recently elected M.P.s tend to be less rigid on the question than their predecessors. Others are visibly shaken by the rise in the S.N.P. vote.'

*(The Times, 19th April 1974)*

## **Wales**

After flirting with the idea of a directly-elected assembly, the Welsh Conservatives finally rejected the idea at their Annual Conference at Llandrindod Wells on 16th June 1974. In its place Mr. Heath outlined an elaborate but limited programme for greater consultation including:

- 1 Powers to the Welsh Office to allocate the Welsh share of the national budget.
- 2 The reconstitution of the present Welsh Council which is nominated by, and gives advice to the Secretary of State for Wales. A large number, perhaps the majority of its members, would be drawn from the elected members of the new District and County Councils. It would advise on Budget spending.
- 3 The establishment of a Select Committee of Welsh M.P.s with the right to question Ministers and officials of government departments on policy decisions affecting Wales.

Mr. Peter Thomas Shadow Secretary for Wales said that the interests of Wales were best served by building on and improving existing and well-tried institutions. An elected Assembly would be:

'a step on to the slippery slope towards separation on federalism which the majority of Wales rejects.'

*(Speech, Llandrindod Wells, 17th June 1974)*

## **THE LABOUR PARTY**

### **Wales**

In contrast to the Conservatives the Labour Party has traditionally shown far more willingness to contemplate a measure of self government in Wales than in Scotland.

However, at a delegate conference in Llandrindod Wells on 23rd June 1974 the Welsh Council of Labour merely reaffirmed its wish for an elected Council for Wales without legislative powers.

The elected council for Wales would consist of about 100 full-time members, who would be directly elected. The proposal also advocates:

- 1 Transferring some of the responsibilities of the Welsh Office, such as health, to the elected council.
- 2 That Westminster should consult the council on legislation affecting Wales.

- 3 That the Treasury should provide much of the council's budget, although the council should decide spending priorities.
- 4 That the council should have the power to review the programmes of nationalised industries and large companies to ensure that they fit in with the economic strategy for Wales.

### Scotland

On the same day the Scottish Executive of the Labour Party rejected proposals for an elected Scottish assembly or a Scottish Parliament. 'Constitutional tinkering does not make a meaningful contribution towards achieving Socialist objectives,' it said in a statement. The unwillingness of Mr. William Ross, the Secretary of State for Scotland, to support an elected Assembly has been a major stumbling block to its espousal by Scottish Socialists.

As a result of the executive's decision, a hastily convened two-day conference of the Scottish Labour Party took place on 17th and 18th August. The conference proceeded overwhelmingly to reject the advice of its executive and called for 'the setting up of a directly elected Assembly with legislative power within the context of the United Kingdom.'

No decision appears to have been made on the exact nature of these legislative powers and the Labour Government's White Paper 'Devolution within the United Kingdom' does not recommend any particular scheme of devolution. David Steel M.P. described the White Paper as:

'a child's guide to the Kilbrandon Report.'

*(Statement, 5th June 1974)*

A Canadian commenting on the dilemma facing the Labour Party, said: 'Nothing short of an elected Parliament with legislative powers is likely to satisfy Scottish opinion. The Welsh Labour proposal of an elected council with no more than advisory powers might satisfy Wales, although to elect 100 council members who are to be paid full salaries seems an expensive way of providing advice. This again illustrates the difficulty of a halfway expedient'.

*(Leading article, 25th June 1974).*

### THE KILBRANDON REPORT (Cmnd 5460) 31st October 1973

The discussion on reforming our governmental system has, none too surprisingly in recent months, centred around the Report of the Royal Commission on the Constitution chaired first by Lord Crowther and latterly by Lord Kilbrandon. The Report was published in October 1973 and consisted of a 600-page Majority Report and a shorter Memorandum of Dissent signed by Lord Crowther-Hunt and Professor Alan Peacock.

Liberals agree with the analysis contained in the Majority Report to the extent that 'Government is remote and insufficiently sensitive to the views and feelings of the people'. The implications of this are, unfortunately, not followed through by the Majority Report. We endorse the belief expressed by Lord Crowther-Hunt and Professor Peacock in their Memorandum of Dissent when they say that the necessary reforms should have three main objectives. These are:

- 1 To counter the decline that has taken place this century in the extent to which British people govern themselves.
- 2 To reduce the present excessive burdens on the institutions of central government.

### 3 To provide adequate means for the redress of individual grievances.

While welcoming the Majority Report's commitment to a measure of legislative devolution for Scotland and Wales Liberals see no reason why a similar measure of legislative devolution should not apply to the regions of England. Above all, half-baked proposals for executive devolution or advisory councils should be rejected. The former would be merely another tier of local government and the latter a series of talking shops.

In order to follow up the analysis, mentioned above, the Liberal Party calls for:

- 1 Legislative devolution to Scottish and Welsh Parliaments as recommended by a majority of those signing the Majority Report.
- 2 Independent revenue raising powers as proposed in the Memorandum of Dissent which are essential if any devolution is to be meaningful.
- 3 Legislative devolution to English regions on similar lines.
- 4 All such bodies to be directly elected by proportional representation.

Attention should be drawn to proposals in the Memorandum of Dissent about political parties, in particular with regard to the selection of candidates, campaign financing and the allocation of broadcasting time. Liberals also suggest that there must be protection for the individual citizen, for example, by a *Bill of Rights* and by an extension of the Ombudsman system.

Liberals particularly welcome the proposals for proportional representation by the *Single Transferable Vote* and for fixed term elections for Scottish and Welsh Parliaments contained in the Majority Report. This, however, should be extended, not just to the English regions, but to the whole political system.

### A Federal System

The Liberal Party does, however, greatly regret that the Kilbrandon Commission reject a *Federal* structure for Britain. 'Federalism', it says, 'was designed and is appropriate for states coming together to form a single unit, and not for a state breaking up into smaller units. More particularly, it is appropriate to the earlier stages of integration, when relations between provinces and between the provincial and federal governments are inevitably characterised by a certain wariness and rivalry.'

If this is a sound argument AGAINST Federal government in Britain on the assumption that we can consider the government of Britain in virtual isolation, then it is an equally powerful argument for federalism if we assume that the Government of the *European Community* must be considered as a whole. Perhaps the most damaging criticism of the Majority Report is that it seems to regard the activities of the European Community as purely peripheral as far as the government of Britain is concerned.

In this particular respect the Dissenting Memorandum from Lord Crowther-Hunt and Professor A. T. Peacock is not much better. It is true that it appreciates, as the majority do not appear to do, the 'profound impact on the whole operation of our system of Government' which 'the all-embracing nature of Common Market responsibilities and objects' will have. They see this, however, as an argument against the federal principle in Britain since, they argue, if some legislative power were given to Scotland and Wales and the English regions for which assemblies at these levels were finally responsible, there could be a clash between Brussels and the assemblies, yet these assemblies would not be represented at Brussels.



Liberals, on the other hand, see the analysis of the authors of the Dissenting Memorandum as an argument FOR a federal system for the Community countries as a whole, in which the powers of the present nation states and of the regions would be properly defined and tied in with the supranational powers of the Community. We are not deterred from our objective by the thought that our proposals will involve at some point a revision of the Treaties. For example, at our Assembly at Southport last year we demanded 'directly elected parliaments in Scotland, Wales and the regions of England as an essential counterweight to the growth of supranational power in the European Economic Community' and we called for the direct representation of these parliaments within the EEC.

It may not be possible in 1974 to draw up in detail a federal constitution for Europe. Yet Liberals believe that it is along the Federal road that we must travel. We believe that unless this is clearly accepted and understood, the Community will be in danger of developing along lines which will be both objectionable and unworkable.

To Liberals, however, the Kilbrandon Report is one more contribution to the debate on reforming the political system—a debate that was started by the Liberals before the Second World War and which has been led by them ever since.

We believe in devolution, decentralisation and electoral reform. As mentioned above, we favour a federal system of government for the United Kingdom, with power transferred in domestic matters to Parliaments for Scotland and Wales as well as Northern Ireland and to Provincial Assemblies in England. The Westminster Parliament would become the federal Parliament with a reformed second chamber in which the majority of members would be elected on a regional basis.

We propose *twelve Provinces* within England each having a democratically elected single-chamber Assembly of paid full-time representatives charged with the duty of forming and guiding a responsible government to take charge of the affairs of the Province. Ideally these Provinces would replace the County Councils but, as a major reconstruction of local government has just taken place, based on the retention of the County Councils with some modifications, the Provinces might have to co-exist with the County Councils initially.

We advocate the setting up of *Neighbourhood Councils* below the District Councils. This would not be obligatory. Where a clearly established community group proved the desire for the establishment of a Neighbourhood Council it would be the responsibility of the District Council to bring it into being. The Neighbourhood Councils will be watchdogs—efficient transmitters of protest and suggestion to the District Councils. Our main criticism of the recent local government reform is that it has taken local government further from the people.

## THE REFORM OF PARLIAMENT

### The House of Commons

Parliament's ability to oversee the administration of government and to concentrate attention on major issues of policy must be improved by a further development of the system of *specialised committees*, by provision of adequate facilities for members and by relieving the Commons of the pressure of detail on regional and local matters. Administration must be decentralised as far as possible to the regions.

We recommend the election by the House of Commons of a *Business Committee* representing all sections of the House to control the business of the House. This would effectively reduce the power of the Whips at present exercised through the 'usual channels'. We accept that membership of the House of Commons is a full-time business and we think that the hours of business of the House should be altered accordingly. There should be full radio coverage and limited television coverage of the proceedings of Parliament.

Members of Parliament should declare all direct and indirect sources of income. We think the Speaker, on election to that office, should become ex-officio a member of the House and that the consequent vacancy should be filled.

The House of Commons should be elected for a *fixed term of 5 years* and general elections should only take place before this term had elapsed if two-thirds of its members so voted or if, after defeat on a vote of no confidence, a Government decided to appeal to the country. A Government should be obliged to resign only if defeated in the House on a specific vote of no confidence and if it declines to appeal to the country. By-elections should be held not less than six weeks and not more than ten weeks after a vacancy occurs.

### **The House of Lords**

The automatic right of *hereditary peers* to sit in the *Second Chamber* would be abolished. The majority of members of the reformed Second Chamber would be elected by the new regional assemblies and national parliaments but there would be a proportion of members selected on the basis of particular experience or expertise. The membership would include the British members of the European Parliament.

### **The role of the individual**

Maximum opportunity must be offered at all levels for involving citizens in the process of government, through the provision of the fullest possible information to the public and the very minimum of official secrecy.

Minority and individual liberties should be guaranteed through a *Bill of Rights* effective in all parts of the United Kingdom and at all levels of government and administration.

The Constitution would be put into written form which could be amended by a two-thirds majority of both Chambers of Parliament sitting separately.

### **Reforms in the Civil Service**

The structure of Whitehall has undergone a succession of upheavals during the last 10 years. Amalgamations of Ministries and redistributions of responsibilities have changed the whole pattern of administration and of ministerial responsibility, culminating in the creation of a smaller number of huge Departments, with teams of senior and junior Ministers responsible for a vast range of activities. A number of administrative units have been moved from London to other cities as part of a drive to reduce the concentration of civil servants in London; further proposals to disperse civil servants away from London are now under discussion. During the same period the staff and responsibilities of the Welsh Office has grown considerably, and a new Northern Ireland Office has been created to handle Ulster affairs. Ministerial amalgamations, the steady increase in the size of the Cabinet Office and the

creation of a Central Policy Review Staff by the Conservatives in 1970, have led to a smaller Cabinet and to a stronger central focus in Whitehall.

From the Civil Service point of view there is much to be said for a period of stability after all these changes, to enable Whitehall to absorb their effects. The chaotic experience under the last Labour Government of the successive creation and abolition of new ministries has thankfully ended. Entry into the European Community has, however, brought with it further changes. The number of civil servants in all Departments who regularly deal with international questions has sharply increased. Travel to Brussels and to other European capitals, written or telephone consultations with Community officials, with Embassy staffs in London, and with national civil servants in other member States, have become part of the regular work of British officials down to junior administrative grades. The need to co-ordinate the range of British responses to the Community has been met by the creation of a European Unit within the Cabinet Office, with a Cabinet Minister attached. Within each Department co-ordinating units have been created or expanded to facilitate communications on Community questions with other Whitehall Departments, with the Cabinet Office, with the British Permanent Representation in Brussels, and with other national governments.

We hesitate, therefore, to suggest further major changes in Whitehall in the short term. Those which we propose below involve not structural alterations but changes in procedure, and they follow the broad direction of movements already under way. We are, however, concerned with the long-term implications of Community entry and of the pattern of administrative decentralisation adopted, and of the need to consider these implications before setting out on further short-term changes. Some long-standing Liberal criticisms of Whitehall have to an extent been met by recent reforms; in a number of cases, we again regret that they have not been taken far enough.

Cumulative changes in Whitehall practice over the last 10 years have increased the gap between the reality of policy-making in Whitehall and the accepted conventions of the British Constitution which would lead us to believe that the Cabinet is a collegiate body taking decisions on the basis of consensus and collective responsibility, and that Ministers are responsible for the policies of their Departments, with their officials executing these policies. The growth of the Cabinet Office and its attached units has increased the strength of the Prime Minister and of his senior colleagues, as against that of the Cabinet as a whole; the Cabinet itself must to a considerable extent have become a formal body, operating effectively through its committees and through the Prime Minister's consultations with the four or five senior Ministers.

Within Departments, the involvement of officials in extensive multilateral consultation, within the structure of committees under the European Commission and under the Council of Ministers, and within other international organisations, from NATO to O.E.C.D., makes it more and more difficult for Ministers to keep abreast of the evolution of policy within their Departments. It is clear that the political heads of the D.T.I. and the D.O.E. can hope only to focus their attention on selected issues within their field of responsibility; their junior ministers may still exert general direction over their designated areas, while leaving many substantial questions to their officials. Whitehall has come some way towards recognising that officials are effectively making policy; entry into the European Community, with the responsible roles played

in Community discussions by officials from the Permanent Representation and from Whitehall, has increased the weight of policy-making on civil servants, rather than on ministers.

The 1970 Conservative manifesto spoke of 'eliminating unnecessary secrecy concerning the works of governments'. Yet a great deal of unnecessary secrecy and outdated mythology still surround the central structure of Whitehall policy-making. There is no reason to surround the membership and workings of Cabinet Committees with such an aura of secrecy; the contribution which these committees and the network of official committees underneath them, make to the management of government business is clearly indispensable and ought to be acknowledged openly. The Fulton Committee recognised that senior officials are effectively policy-makers in their own right; but their role is still not made clear to the public, nor their responsibility to Parliament. Secrecy over how decisions are made in Whitehall and by whom, compounds the secrecy which still surrounds policies under discussion and, makes the process of government appear remote and mysterious to the electorate.

Ministerial amalgamations and a smaller Cabinet have allowed a moderate reduction in the total number of Ministers, and a consequent diminution in the size of the Government bench in the House of Commons. A more independent and effective Commons will benefit from further reductions in the size of the Ministry. If this is to be compatible with continued political direction over Whitehall Departments, however, a more open and widespread acceptance of political appointments as advisers to Ministers will be needed. The spread of political advisers to Ministers under the present Conservative Government, largely unnoted by the Press, is therefore something which we welcome, and would want to extend. We would also institutionalise the practice by providing for their salaries to be met by the Treasury. So far, the handful of advisers have provided some assistance to Ministers in handling the politics of their Departmental responsibilities; what Ministers still lack is political advice on matters outside their immediate departmental responsibilities, to help them fulfil their role as members of a Government discussing the whole range of national policy and agreeing upon political and financial priorities. The Central Policy Review Staff, itself a semi-political body, is intended to fulfil this role for the Government as a whole, to strengthen the centre against the departments. This trend towards a strengthening of the position of the Prime Minister and the Cabinet Office, which Community entry takes further, fits the established pattern of policy-making by consensus and compromise in Whitehall. As against this trend, Liberals believe that Government decision-making would benefit from a more vigorous and informed debate between ministers, for which the heads of the major Departments would need their own sources of political advice.

To provide this would mean moving towards the French 'cabinet' system, expanding ministers' private offices to include two or three specifically political appointments. We would welcome this development, as likely to improve the quality of government decisions and to restore the declining role of the full Cabinet.

Piecemeal attempts to move sections of the civil service out of London, unconnected to any serious consideration of the benefits of administrative decentralisation on a regional basis, have so far resulted in making officialdom more rather than less remote from the citizen, centralising social security

operations in Newcastle, different categories of income tax assessment in Bootle and Manchester, and so on. In this respect, we regard the Hardman proposals for the decentralisation of a further 60,000 civil service jobs from London, as a classic case of a narrow and short-term decision, unrelated to wider or longer-term considerations.

Liberal proposals for the substantial devolution of government to the regions provide an alternative model for administrative decentralisation, which would not only reduce the concentration of civil servants in the South-East but would help to bring administration closer to those whom it affects, with the Provincial Assemblies being elected bodies at the appropriate level to oversee administrative practice. We remain unhappy that so many senior civil servants spend their entire career in the London area, without direct experience of the problems of the regions with which they are dealing. While welcoming the greater ease of interchange between the Civil Service and other fields of employment, we regret the lack of encouragement of interchange between the national civil service and local government. As a matter of immediate reform, civil servants in the Department of Education and Science, the Department of Trade and Industry and the Department of the Environment would gain a valuable alternative perspective on the problems for which they are responsible at the national level if they were to spend a period of service in the new metropolitan authorities, the populations of which are as large as those of several European countries. Shifting substantial numbers of civil servants within the South-East, from London to Basingstoke or Hastings, only disrupts the careers of those involved without either redressing the regional balance or making administration more accessible to the people outside the South-East. In the longer term the relationship between the civil services attached to the different levels of government, European, National, Provincial and Local, must be reconsidered. There would have to be opportunities for secondment between different tiers of government. The possibility of a unified but decentralised civil service, working for both the U.K. Government and the Governments of the English provinces, Wales and Scotland (as in the West German federal structure) might well have some advantages.

In the long term, the strengthening of European Community institutions will also reduce the present concentration of officials and administration in London. It is true that the immediate impact of Community entry has been to increase the burden of work in Whitehall. More than 100 British officials a week have been travelling to Brussels since January 1973; some have been spending up to half their working time abroad. Much of the additional burden, however, reflects the time-consuming inefficiency of the present structure of inter-governmental co-operation in Western Europe; as the Community develops further some of the business presently conducted by committees of national civil servants travelling to Brussels will clearly be handled on a Community basis. A reversal of the established trend towards harmonisation of petty regulations at the Community level, and the development of direct links between regional authorities and the Community, would further reduce the burden. What we would want to see in Whitehall in 15 to 20 years' time is a much smaller administration, dealing both with the Communities and with the regional authorities, commanded by a smaller but more politically aware government. Till then, our concern with Whitehall remains that its workings should be made less mysterious, and its actions more accountable.

## Conclusion

More than ever the failures and shortcomings of the British political system are apparent and in urgent need of attention. Overcentralised, secretive and inflexible in the face of new and changing social and economic conditions it has brought about a succession of government failures and created apathy and hostility amongst the people. Accountability and consultation are avoided while political and economic power is concentrated in the hands of the few. Parliament has become the tool of the executive, unable to make thorough investigations or to formulate policy; even the Cabinet is becoming a rubber stamp. The Labour and Conservative parties have raised electoral hopes but failed in office; they have misused their power of patronage and over-disciplined their elected representatives. Now Britain is in danger of encouraging the development of a European Community which exercises increasing powers without democratic control.

Public confidence in the individuals and institutions which govern our lives slips day by day. The agencies of national and local government are frequently unable to enforce their own laws and regulations and are bemused by new situations. Government in Britain now has a long record of failure to forestall problems before a crisis develops or to carry through policies or projects to a successful and effective conclusion.

In this context drastic reforms in the structure of government and, equally important, in the manner in which it is conducted have become a matter of extreme urgency. Democracy needs to be restored by decentralisation and by much more public participation and accountability. Political, economic and industrial power will have to be more widely distributed and the commitment to 'open government' given substance in the form of less secrecy and more consultation. Political parties should be less of a closed circle and more issue-orientated, and the electoral system must be changed. Britain must work for a federal Europe in which the pooling of sovereignty is matched by the introduction of democratic controls. Without such reforms the easy catchwords such as 'parliamentary democracy' and 'popular sovereignty' will soon cease to have any meaning, and may become objects of contempt rather than admiration. Liberals believe that it is imperative that new life should be given to democracy in Britain; the task of political reconstruction, although difficult, must be started now.

*Note:* Much of the material for this section has been drawn from 'Power to the People', a report from the Liberal Party's working group on the machinery of Government. (L.P.D. March 1974)

## B ELECTORAL REFORM

'We have deluded ourselves into thinking that the British electoral system gives the people a democratic choice. In fact, the strength of the parties in the House of Commons does not reflect their voting strength in the country even approximately'. Thus Eric Lubbock succinctly expressed the view of the Liberal Party in his pamphlet 'One Vote, One Value' (L.C.A. December 1968). It is for this reason that the Liberal Party strongly advocates reforms in an electoral system for we believe that Parliament should truly represent the views of the electorate. When this is not the case then it is time to change the system. The example of parliamentary elections is used to indicate the need for electoral reform; but the arguments are equally applicable to Local

Government where, following re-organisation into larger units, the need for more sensitive representation is even greater.

### **The Present System—Single Member Majority**

The country is divided into 635 constituencies intended to have the same number of electors. Each constituency returns one M.P. Each elector has one vote, which he gives to the candidate of his choice. The candidate receiving most votes in the poll is elected M.P. for the division.

### **What is wrong with this system**

1 It bolsters the so-called 'two party system' by discriminating against third party candidates. In a straight fight between two candidates the system works adequately by awarding the seat to the candidate who receives an actual majority of the votes cast. But where there are more than two candidates in contention the successful candidate in many cases does not obtain a majority of the votes cast, because the number of votes received by him may be less than the total cast for the other candidates together. At the 1974 election 600 seats were contested by more than two candidates and 406 M.P.s were elected on a minority vote.

2 It produces unrepresentative governments often with a majority of seats in parliament but a minority of votes in the country.

In terms of votes, every Government since 1945 has been a minority government and the present government is in a minority in terms of both votes and seats. At the 1974 General Election Labour polled 11 million votes (11,654,726) whereas the Opposition parties polled 19 million (19,678,500). That this is not mirrored in the composition of the Commons is in itself an indictment of the single member majority system.

3 Substantial minorities are grossly under represented. A genuine and equal choice between a number of candidates cannot be made under this system. In the General Election of February, 1974, it took:

38,720 votes to elect a Labour M.P.

40,416 votes to elect a Tory M.P.

433,105 votes to elect a LIBERAL M.P.

33,336 votes to elect a United Ulster Unionist M.P.

91,719 votes to elect a Scottish Nationalist Party M.P.

85,682 votes to elect a Plaid Cymru M.P.

Thus there was not only a restricted choice in practice, but the result of the election was grossly unrepresentative. In the February 1974 election Liberals gained 6 million votes (19.3 per cent) but only 14 M.P.s (2.2 per cent). This lack of representation is the very contradiction of Parliamentary democracy.

4 Those who vote for defeated candidates get no representation.

In every general election in Britain *about half* the votes cast are wasted because they help to *elect nobody*. In the 1974 election 5 million people voted Liberal without electing anyone; over 4 million Conservatives and over 4 million Labour supporters similarly wasted their votes. In all 57.3 per cent of the total votes cast were wasted in this way and in some areas the proportion was even higher. In Bradford, for instance, the Labour Party secured only 45 per cent of the total vote and yet returned all of its 3 M.P.s. Thus 55 per cent of Bradford's voters were unrepresented. Similarly in the London Borough of Croydon, the Conservative Party took all four seats although securing only 47 per cent of the total votes cast.

In Northern Ireland the result was even more unrepresentative. Here we can compare the results of the 1974 General Election using the X voting method in single member constituencies with the 1973 Elections to the Northern Ireland Assembly which were conducted in the same 12 constituencies but using the Single Transferable Vote method of Proportional Representation with each constituency returning several members. In the 1974 General Election the Anti-Faulkner United Ulster Unionists won 11 out of the 12 seats (Mr. Fitt of the S.D.L.P. being the other victor), but secured only 48 per cent of the total vote. In the Assembly elections on the other hand, anti-Faulkner candidates received 44 per cent of the votes and 27 out of the 78 seats (35 per cent).

Thus individual constituencies are deemed to have elected an M.P. of one particular persuasion when it is quite plain that a substantial majority were opposed to him. Such was the result in:

Peterborough—Con. 20,353; Lab. 20,331; Lib. 10,772. Maj. 22.

Lincoln—Dem. Lab. 14,730; Official Lab. 13,487; Con. 13,299. Maj. 1,293.

Carmarthen—Lab. 17,165; Plaid Cymru 17,162; Lib. 9,698; Con. 6,037. Maj. 3.

5 Under the existing system the voter has no opportunity to express his preference between candidates as well as between parties.

The essence of our electoral system is that the voter chooses between individuals in each constituency in order to have his views expressed in government. Yet our present voting system does not allow any real choice between candidates who have different views on certain issues but who support the same party. Thus in 1974 we had the idiotic situation of one prominent ex-Conservative M.P. advising Conservatives to vote Labour in order to express their disapproval of the Conservative Government's pro-Common Market policy. Voters should be able to choose, without risk of 'splitting the vote', between, for example, a pro-Common Market candidate and an anti-Common Market candidate of the same Party.

To summarise, the present voting system is grossly undemocratic and has contributed to a growing feeling of alienation and impotency among the electorate. The downward trend in the public's opinion of our electoral system is mirrored in the figures of electors who actually vote; this has been steadily decreasing. In 1950, 84 per cent voted; in 1970, only 72 per cent and in 1974 with a new Electoral Register the turnout was still only 78.7 per cent. In individual constituencies where one party predominates the turnout is traditionally much lower than average. For example the Labour strongholds of Liverpool, Scotland (Labour majority 60 per cent) and Tower Hamlets (Labour majority 65 per cent) produced respective turn-outs of 58.5 per cent and 59.4 per cent in 1974. By-elections are notorious for low turn-outs, West Bromwich 41 per cent and Manchester Exchange 43.7 per cent being recent examples in 1973.

## **LIBERALS AND ELECTORAL REFORM**

### **1 The Liberal Record**

The 1906 Liberal Government set up a Royal Commission to examine the various alternative systems of voting. The first Speaker's Conference on Electoral Law was set up by a Liberal Prime Minister, David Lloyd George, in October 1916 and among 37 recommendations was a unanimous resolution to adopt proportional representation by means of the single transferable vote



in multi-member constituencies formed from boroughs returning three or more members, outside the City of London. The 1917 Representation of the People Bill adhered strictly to the Conference recommendations and passed its second reading in the Commons but the single transferable vote was rejected by 201-169 in committee thanks mainly to Tory opposition. A second Speaker's Conference in 1929 led to the introduction of new legislation for the introduction of the Alternative Vote which lapsed when the minority Labour Government fell in 1931.

From time to time other parties have advocated reform as a result of being unjustly treated by the electoral system. Winston Churchill in opposition made a play for Liberal votes by advocating a Committee of Inquiry into the electoral system in 1950 when the General Election resulted in the Liberal Party gaining  $2\frac{1}{2}$  million votes but only 9 seats. But when, in 1951, the electoral system produced a Conservative majority in Parliament in spite of the fact that Labour had polled more votes at the election, Churchill as Prime Minister declined to take action on his recommendation.

In 1965 the Speaker's Conference on Electoral Reform rejected proposals for Proportional Representation (PR) by 19 votes to 1. The lone reformer was Eric Lubbock, the Liberal representative.

At Liberal Assemblies and Councils since 1937, Resolutions have been regularly passed demanding reforms of the electoral system. The latest resolution at the 1973 Assembly endorsed a full report on the Machinery of Government and advocated 'Reform (of) the electoral system by introducing the single transferable vote in multi-member constituencies'.

The report of the Kilbrandon Commission on the Constitution was issued on 31st October 1973. Almost the only recommendation on which the entire membership was unanimous was in its advocacy of the use of the single transferable vote in elections. This was noted with pleasure by the Liberal Party Council at its November 1973 meeting.

## **2 The Liberal Proposals**

The system which Liberals advocate is PROPORTIONAL REPRESENTATION by the SINGLE TRANSFERABLE VOTE in MULTI-MEMBER CONSTITUENCIES. This requires that constituencies shall be large enough to return at least three M.P.s each.

The elector votes by placing the figure 1 against the candidate of his first choice. He need do no more; his ballot paper will be valid. He is advised, however, to indicate further preferences by placing 2, 3, 4, etc. against the names of his second and subsequent choices. This is all the elector needs to do; the remainder of this description concerns only those officials who count the votes. The elector's vote is credited to the candidate whom he has marked. 1. Every candidate who thus obtains a certain proportion of votes, called the quota, is elected. In a constituency returning three members, the quota would be a quarter of the votes cast, plus 1; in a constituency returning four members, the quota would be one-fifth of the votes cast, plus 1; and so on. If a candidate obtains more than the quota, his surplus is transferred to the second and subsequent choices of those who have him as their first preference. The votes thus transferred are added to the original votes for any candidate, and, whenever a candidate's total thus reaches the quota, he is elected.

If, after all surplus votes are transferred, there are still vacancies to be filled, the candidate at the bottom of the poll is declared defeated, and his votes,

instead of being wasted, are transferred to those candidates marked on his ballot papers as the voter's next choice among the remaining candidates who have not already been elected or defeated. These votes are added as above, and, when a candidate's total thus reaches the quota, he is declared elected.

In effect the voter is telling the returning officer: give my vote to the candidate I have marked '1'. More than likely it will help to elect him, but if it cannot (because he has enough votes without mine or he has so few as to be without hope of election) give it instead to the candidate I have marked '2'. If it cannot help him either, give it to my '3' and so on if necessary.

This system gives a wide freedom of choice to electors and gives all parties in the Commons a representation proportionate to their strength in the country. FOUR FALLACIES are often raised as arguments against this system, viz:

- i that the increased size of the constituencies under a PR system by the STV will cause insurmountable difficulties. Modern communications ensure ease in contacting an M.P. but more important is the fact that, because the system would mean that, for example, a Labour candidate living in Surrey would be more likely to be elected, there would be an increase in the number of local people prepared to show interest in and stand for Parliament. There would be a consequent improvement in the service given by M.P.s.
- ii that the introduction of PR will cause an increase in the number of parties, which in turn will cause uncertainty in government, because no single party will have the absolute majority. There is no evidence that this is a necessary consequence. Indeed, when a crude form of PR was introduced in France in 1945, the number of parties actually went down from 14 to 10.  
In Northern Ireland, recent experience under both PR and the single member majority system has indicated that PR is far more successful in avoiding the necessity of founding new parties to express dissenting opinions. In the 1973 Assembly elections conducted under STV in multi-member constituencies, it was possible for several candidates with differing views to stand under the Unionist Party label viz: 'Faulkner' and 'anti-Faulkner' Unionists. In the 1974 General Election, however, with only one candidate from each party standing in any one constituency, a Unionist dissenter had to choose between joining another party and founding his own. Thus a collection of new parties such as the Protestant Unionists, Vanguard and the United Ulster Unionists emerged.
- iii that the system is too complicated for the elector. Although the system may *sound* complex, the elector has only to number his ballot paper according to his preferences; he need not know anything about the mechanics of the counting procedure, because the Returning Officer and his staff will do the mathematics involved. The system is already in use in many European countries as well as being used in certain U.K. Unions for the election of officials and representatives. And of course it operates in the Irish Republic where, significantly, the problem of an under-represented Protestant minority does not arise.
- iv that the change over to the system would involve a massive re-drawing of constituency boundaries. While the actual distribution of seats in multi-member constituencies would need careful calculation, a bill recently drawn up by the party's experts indicates that new Parliamentary boundaries for multi-member constituencies would almost entirely coincide

with existing local government and County boundaries. Above all the vast and confusing processes of re-drawing constituencies through the Boundaries Commission would be unnecessary. Changes could be made simply by adjustments in the number of members returned by each constituency.

### **3 The Alternative Vote**

This is often suggested as an alternative to the present system which requires single-member constituencies. Even with STV in multi-member constituencies Liberals acknowledge that there might have to be a few single member constituencies, e.g. in the outer constituencies of Scotland which, if converted into multi-member constituencies, would be much too large and unmanageable. Some people have proposed that AV might be used as a stop-gap within the existing single-member constituency framework before STV is introduced, but the AV is not an end in itself because the injustices still remain.

In an Alternative Vote system, the elector votes by putting '1' against the name of his first choice. He may also mark his subsequent preferences '2, 3, 4, etc.'. The first choices are counted and, if any candidate receives an absolute majority of votes cast—i.e. more than all the other candidates put together—he is elected. If nobody has such a majority, the candidate at the bottom of the poll is declared defeated, and his votes are distributed according to the second choices indicated by his supporters. This process of elimination continues until one candidate has an absolute majority of the votes still in play.

The Alternative Vote is *not* a system of proportional representation but it does allow a greater choice between parties and their candidates than the present system. Thus, if his first choice has no hope of election, a voter can exercise a second preference. However since this choice is restricted to candidates of other parties, his second preference is a negative vote for the lesser of two or more evils. The Alternative Vote system suffers from the same shortcomings as other voting systems which use single member constituencies in that there is still no way of securing representation for the various shades of opinion *within* parties or ensuring that substantial minority parties can be effectively represented. In certain rural areas where the Labour Party is weak there would be no hope of representation for Labour voters. Conservative voters would be similarly unrepresented. In all cases it would not improve the position of third parties.

### **4 Extension of Postal Votes**

The Liberal Assembly of 1965 recommended that the postal vote should be extended 'to those on holiday and to all other electors necessarily prevented from voting in person'. While regretting the lack of Government action on this general principle, Liberals welcome the fact that the Government have accepted the limited recommendation of the Speaker's Conference that wives of people employed abroad should be eligible for the postal vote. Eric Lubbock introduced a Bill calling for this in 1964.

### **5 Abolition of the Deposit System**

The £150 deposit perpetuates the aura of the wealthy candidate with vested interests to defend, and hinders the emergence of the independent and sincere one. In place of the deposit system, the Liberal Party recommends that

there should be 'a requirement that each candidate must first have obtained evidence that his nomination is supported by a significant proportion of the electorate in his constituency . . .' (1973).

## **6 The Electoral Register**

Many people are still omitted from the Electoral Register because of ignorance, temporary absence or neglecting to return the registration form within the required period. Liberals would like to see compiled a running list of additions and deletions to the Electoral Register in order that it can be kept as up-to-date as possible. An acknowledgement should also be sent to persons registering so that they are assured of their eligibility to vote *before* an election is called.

## **7 Parliamentary Elections**

Parliamentary elections should be held on a weekday which should be declared a public holiday. We believe that the House of Commons should be elected for a fixed term of five years. This would avoid the uncertainties of our present system and would prevent a Government manipulating the date of elections so as to suit its own party. An election within the 5-year period could only take place if two-thirds of the members of the House of Commons voted in favour of it or if, after a vote of no confidence, the Government decided to appeal to the country rather than resign.

Liberals also advocate that by-elections should be held not less than six weeks and not more than ten weeks after a vacancy occurs. This would avoid the shameful example of the Lincoln by-election in 1973 when the Labour Party deliberately delayed moving the writ in order to reduce Mr. Taverne's political momentum.

## **CONSERVATIVE AND LABOUR ATTITUDES TO ELECTORAL REFORM**

### **The Conservative view**

Following the result of the 1970 General Election, when the Liberal Party secured over 2 million votes, but only six M.P.s, the then Chairman of the Liberal Party, Mr. Desmond Banks, wrote to the Prime Minister, Mr. Heath eliciting his views on electoral reform. Mr. Heath's reply was in effect a proposal to do nothing . . . 'in 1967 the Speaker's Conference, by a majority of 19 votes to 1 recommended that there should be no change in the relative majority system of election in single-member constituencies. The Government of the day accepted this recommendation and the present Government see no reason to take a different view'. Mr. Banks observed: 'Mr. Heath is taking refuge behind a recommendation arrived at three years ago by a body composed entirely of those who had been successful under the present iniquitous electoral system and who might, therefore, be presumed to have a vested interest in its maintenance.' The attitude of Mr. Heath since, has given no indication of a fundamental change of view.

### **The Labour view**

At the same time, Mr. Banks wrote to Mr. Wilson the Leader of the Labour opposition. In his letter he said he was encouraged to do so by recalling a statement made by Edward Short on October 6, 1965, when he was Labour Chief Whip and the Labour Government had a wafer thin majority of 3. The

present system does not give a fair deal to important minorities like the Liberal Party. We are quite willing, and indeed anxious, to examine the experiences of other countries to see whether any other system which would give a more accurate reflection of the view of the electorate could be adopted in this country.' Although 'not finally' closing the door to electoral reform, Mr. Wilson's reply was not encouraging: '... the Labour Party has always considered aspects of electoral reform but it cannot, I am afraid, see any reason for changing from the present system of election by simple majority.' In later exchanges with the Labour Party, Mr. Banks was referred to a speech made by Mr. Callaghan at the House of Commons on 14th October 1968 during the debate on the Speaker's Conference. Mr. Callaghan's speech in fact argued *against* proportional representation using the single transferable vote, which Liberals advocate. It was also suggested that the Report of the Constitutional Commission (the Crowther/Kilbrandon Commission) set up by the Labour Government, might advance discussion but in fact the Commission's terms of reference excluded consideration of electoral reform for the Westminster Parliament.

## 8 The Kilbrandon Report (October 1973)

This has been the last major statement on Electoral Reform. Although consideration of Westminster elections was specifically excluded, it was the *only unanimous* recommendation of the Commission that the PR/STV system should be introduced for elections to the Scottish and Welsh Parliaments and all the Regional Assemblies proposed. Since then there have been debates in the House of Lords and the House of Commons both initiated by the Parliamentary Liberal Party. There has also been a General Election, the results of which have been more unfair to the Liberal Party than at any election since 1929. The only official response by either the Labour or Conservative parties has been a general undertaking in the Labour Government's programme, announced in the Queen's Speech on 12th March, 1974, to initiate discussions in Scotland and Wales on the implementation of the Kilbrandon Report. No reference was made to the electoral system nor was any indication given as to which of the several schemes for regional devolution contained in the report was to be implemented.

Following the publication of the Government's White Paper on Devolution, David Steel, in a Parliamentary Question asked the Prime Minister:

'if he will now announce the machinery he proposes to set up to consider electoral reform.'

(25th July 1974).

The reply from the Prime Minister was as follows:

'I am asking Lord Crowther-Hunt to set in hand background research on this matter with a view to considering how it might best be tackled.'

(Hansard, 26th July 1974).

Mr. Steel commented:

'This is a very hopeful development. Lord Crowther-Hunt's researches will presumably include a survey of the different methods of proportional representation used in other countries. It should help to dispel the widespread ignorance of this subject which has always prevailed in successive government circles, and will I hope be available to whatever government may be formed if there is an autumn election'.

(26th July 1974).

## **C NORTHERN IRELAND**

### **The background**

The six counties of Northern Ireland became a separate Province of the United Kingdom when the Act of Union of 1800 was dismantled by the granting of independence to Southern Ireland. The Government of Ireland Act, 1920, provided both North and South with a Regional Parliament and Government; and created specific machinery—the Council of Ireland—to promote co-operation and to encourage ultimate reunion between the two parts of Ireland within the United Kingdom. These arrangements, while not welcome to Northern Ireland, were accepted there; they were however rejected by the Southern Irish who desired independence. As a consequence, the Council of Ireland never got off the ground. Northern Ireland became virtually a self-governing state inside the United Kingdom when in 1922 Ulster exercised her right to opt out of inclusion in an all-Ireland Free State. In 1948 the Free State declared itself a fully independent Republic outside the Commonwealth and assumed the title Irish Republic.

The present situation in Northern Ireland is inseparable from the historical and ethnic background of the Ulster people. At present, the total population of Northern Ireland is in excess of 1,525,000, of whom approximately 64 per cent are Protestant and Scottish or English in origin: while 36 per cent are Catholic. The two communities represented by these figures have for a variety of reasons tended to grow up separate from each other with different religions, different cultures, different schools, and very differing sports. Relations between the two communities have never been stable, varying from mutual suspicion to out-and-out hostility.

### **The present constitutional position**

Section 1 of the Northern Ireland Constitution Act establishes the present status of Ulster:

'It is hereby declared that Northern Ireland remains part of Her Majesty's dominions and of the United Kingdom and it is hereby affirmed that in no event will Northern Ireland or any part of it cease to be part of Her Majesty's dominions and of the United Kingdom without the consent of the majority of the people of Northern Ireland voting in a poll.'

### **The Referendum**

In accordance with the Constitution Act, the first border poll was held on 8th March 1973 under the Northern Ireland (Border Poll) Act 1972. It was hoped that a referendum would take 'the border issue' out of the mainstream of Ulster politics, which it had dominated, to the exclusion of almost every other issue, since partition.

The referendum allowed every citizen of the Province aged 18 or over to state whether he or she wished Northern Ireland to remain part of the United Kingdom, or to be joined with the Irish Republic outside the United Kingdom. An overwhelming majority of those voting indicated that they wanted Northern Ireland to remain part of the United Kingdom (591,820 in favour and 6,463 against). In the Poll—out of a total electorate of 1,030,084—604,256 electors voted despite an attempted boycott and widespread intimidation.

Even allowing for an exceptionally high poll of 80 per cent among the Protestant population, at least 20 per cent of the Catholic minority must have voted to maintain the British link.

## The Government of Northern Ireland

Until the imposition of Direct Rule for the first time in March 1972, Northern Ireland had been governed exclusively by the Unionist Party. In almost every respect save that of political alignment, Ulster was a one-party State at both local and national level and no member of an opposition party had ever held office at Stormont.

Following the introduction of Direct Rule, continuous discussions were held between the Secretary of State and all shades of opinion in the Province about the future administrative structure of Northern Ireland. All political parties were invited to submit proposals for the future Government of the Province and to attend a constitutional conference which took place at Darlington in September 1972. The Northern Ireland Labour, Alliance and Unionist Parties attended though the Nationalist, Democratic Unionist and SDLP parties did not. However all but the Democratic Unionist and Nationalist Parties published proposals. In October 1972 the Government published a Green Paper which won widespread approval by representatives of diverse opinions such as Mr. Jack Lynch, then Prime Minister of the Irish Republic and Mr. Brian Faulkner, the immediate past Prime Minister of Ulster. Implicit in the Green Paper was the concept of power sharing—a wider consensus of support would have to be sought for any new institutions.

## The New Constitution 1973

Two major pieces of legislation implemented the Conservative Government's proposals for a new Constitution. The Northern Ireland Assembly Act 1973 which made provision for the election of a Northern Ireland Assembly and the Northern Ireland Constitution Act which provided the framework in which the assembly would function.

The new Constitution provided:

- a For an Assembly to be elected by proportional representation. The first election took place on 28th January 1973. It proved that 'P.R. is as easy as 1, 2, 3.' The result was:

Faulkner's supporters	23	Official Unionists	10
S.D.L.P.	19	Other Loyalists	17
Alliance	8	N.I.L.P.	1
- b An Executive in which power is shared between Catholics and Protestants. In January 1974 the executive drawn from Mr. Faulkner's supporters, the S.D.L.P. and the Alliance, started work. On 22 January 1974, Mr. Paisley and 17 other Loyalist members were carried out of Stormont by Police after playing football with the mace. Despite this the *Economist* reported on 26th January 'once the loyalist uproar had been dealt with a unique event took place in Stormont: Protestant and Catholic politicians sat down on the Government benches and set about working together to run the province'.
- c For Tripartite talks, later to be known as the Sunningdale Conference between parties from Northern Ireland involved in the Executive designate and the Dublin and Westminster Governments.

The Conference, which was held from 6th-9th December 1973 produced an agreement which all parties present accepted. However the Loyalists now led jointly by Mr. Paisley and Mr. Craig who were formally excluded from the talks immediately denounced it. The main terms of agreement were as follows:

The Irish Government accepted the right of the people of Northern Ireland to self-determination and the British Government agreed that it would not stand in the way of Irish unification by consent. A Council of Ireland was to be set up consisting of an inter-governmental Council of Ministers of fourteen members; a Consultative Assembly of thirty members each from the Dail and the Northern Ireland Assembly; and a permanent Secretariat. Studies were set up to identify areas of common interest where the Council could take on executive responsibility. It was agreed that terrorists should be given refuge in no part of Ireland; and that in view of the complex legal problems involved, a joint commission should be set up by the British and Irish Governments and the Northern Ireland Executive was to meet to consider the reports and to sign the agreement reached.

Orders providing for the devolution of power to the new Assembly and Executive, and for the necessary reorganisation of functions, were passed by Parliament and became law on 19th December 1973. The Northern Ireland Executive and Assembly assumed office and powers on 1st January 1974.

### **The Liberal attitude to power sharing**

Jeremy Thorpe, speaking of the significance of the success of Mr. Whitelaw in Northern Ireland, told candidates in London (January 1974) 'He (Whitelaw) abandoned all the conventional Conservative attitudes to that terrible problem. He reaches out for Liberal clothes not by the slow and ultimately disappointing process of striptease familiar to us under both Labour and Tory administrations, but grabbed Liberal Policies lock, stock and barrel. Proportional representation, a Council of Ireland, Human Rights Bills, the lot.'

David Austick, M.P., speaking in the Northern Ireland debate on 13th December 1973 outlined the still unresolved immediate problems in the province and put the Liberal view:

#### **1 Future of the Police**

'I hope that the committee studying law enforcement in the Province and the Under-Secretary of State's Committee set up to assist the chief constable and the police authority will report urgently on the role of the RUC in the community.'

#### **2 Rent and Rate Strike**

'I hope that some formula will be devised whereby those who have participated in the rent strike—I understand that some people owe up to £500—will not be pressurised for full payment forthwith.'

#### **3 Internment**

'The Liberal Party has been implacably opposed to internment since its re-introduction. It believes that the time may well be right for the abolition of internment for an experimental period.'

#### **4 Council of Ireland and Links with the South**

'Many problems may be helped to solution by the formation of the Council of Ireland, which the Liberal Party welcomes unreservedly and which it has proposed for many years, it is good to see that many Liberal policies are at last finding favour. The idea of common law enforcement areas and the supervision of police forces on both sides of the border by the Council



should be pursued as far as possible. The basis of non-partisan links between the two Irish Governments, particularly in joint capital ventures such as the common power transmission scheme, will not only save valuable financial resources but will convince doubters on both sides that there is much to be achieved by economic and social co-operation, regardless of ultimate political aims.'

## **5 Border Poll**

The Liberal Party hopes fervently that the Executive will be successful and that the realignment of political opinion in Northern Ireland will be achieved. It may well be that the procedures for a referendum on the border will have to be made more flexible. Perhaps the referendum should be held every five years and not every ten years as is now provided'.

## **6 Northern Ireland representation at Westminster**

'We would welcome the fairer representation of the people of Ulster in this House. We believe that those Members should be elected on the basis of the single transferable vote, as are other representatives in Ulster.'

*(Hansard Vol. 866, Cols. 701-704).*

## **The Reimposition of Direct Rule**

The February 1974 General Election, called almost before the new Executive had an opportunity to prove its worth had a disastrous effect on the fragile new institutional structure. In Northern Ireland itself 11 out of the 12 M.P.'s returned to Westminster specifically and adamantly opposed the Sunningdale Agreement which had been approved by both the Executive and the Northern Ireland Assembly. It was as a protest against Sunningdale that the 14 day General Strike was called, which eventually led to the resignation of Mr. Brian Faulkner and the collapse of the power sharing executive on 28th May 1974. The executive collapsed ostensibly because of a fundamental disagreement between the members of the pro-Faulkner Unionists and the Alliance Party who wanted to negotiate with the Ulster Workers Council and the strikers, and the S.D.L.P. who were in favour of calling in troops to break up the strike.

Direct rule was imposed once more on Northern Ireland on 29th May 1974 and Parliament was recalled to debate the crisis.

## **The Liberal Attitude**

Speaking in the House of Commons on 4th June the Liberal leader Jeremy Thorpe summed up the Liberal position :

### **Power Sharing**

'I ask the honourable Members from Northern Ireland whether they do not feel that the most priceless achievement would be, if it were possible, to create a Province to which the Roman Catholic community had as great a sense of belonging and loyalty to the continuation of the Province as they themselves ?

'I say to them that there is no way of achieving that situation if, for the foreseen future, that minority community is excluded, as it was for the first 50 years, from any decision taking and from any part in the Executive. That is why I believe that power sharing is of the very essence of getting that sense of community and joint allegiance.

'We may have to look at the forms of power sharing again. I believe that we may have to have an Executive elected by proportional representation

by the Assembly itself, so that any party with seven seats would be entitled to one Ministry. These are matters that we must go into. What is enormously important is that the stark choices which face the people of Northern Ireland must be put before them.

'The first choice is the possibility of sectarian domination. I say to the majority community that if that happens it would be faced with a continuing running battle. There would be no peace, whatever it might think. That would carry on all the present problems. It would be a recipe for continued violence and it would be made even more difficult by the knowledge that people of both communities can and have worked together in a power sharing Executive. It would also be intolerable to the rest of the United Kingdom.

'The second option is a united Ireland. That could come about only if the majority of the population wished to revoke the 1973 Act. That would be unlikely to happen, and I believe that the Prime Minister of the Republic was right to say that the whole of that prospect is set back by decades as a result of the activities of the I.R.A. There is then the prospect of indefinite military occupation, which I do not believe the British people would stand for. That is not therefore an option at all.

'We come back, therefore, to my conclusion that the only possible prospect for long term peace is a continuation of power sharing . . .'

### **Continuation of Britain's Role**

'There is a limit to the amount of money and the amount of troops that the electorate of this country is prepared to pour in. No British electorate will continue to meet a bill of between £300 million and £400 million a year for a situation in which the Parliament which votes that money is defied by those who receive it.

'Quite apart from financial support, there is the question of the Army. None of my colleagues has suggested that the Army should pull out tomorrow morning. I believe that that would cause carnage and that it would not even give an opportunity for people to think, discuss, and face the reality of the situation. But I make no secret of the fact that some of my honourable Friends, who I think reflect a growing opinion in the country, are in favour of setting a firm date when British troops will be withdrawn, so that people realise that during that period they must discuss and concentrate their minds.

'Just as I know the view of some of my honourable Friends, they know my own. I do not believe that one can set a firm date for withdrawal, but I believe that we are entitled to set a firm date by which we, the people of this country, should know the intentions of those who are challenging the authority of this House. We are entitled to know whether they are seeking independence outside the United Kingdom, whether they are seeking to reject the concept of power sharing, whether they are seeking to have an embattled Protestant community not dependent on any subvention or support from this country. I believe that for that indication there must be set a firm date.

'If the answer is that those whose are challenging the authority of this House wish to sever the connection, what honourable Members think about the withdrawal of the Army becomes somewhat academic because

I believe that it would be the overwhelming wish of the people of this country that the troops be pulled out and the subventions end . . .

'Power sharing is the very minimum that this country is prepared to accept for continued United Kingdom membership for Northern Ireland. If the people of Northern Ireland want to rescind it and ask us to tear up the 1973 Act, let them tell us; but if not, we for our part are honour-bound by that 1973 Act, and United Kingdom membership will mean continued financial support and responsibility for law and order . . .

'We want from them a clear answer. They cannot for very much longer have it both ways. They cannot have the benefits without accepting the obligations.'

### **Liberal Policy—Long Term Solution**

Liberals would like to see the Unification of Ireland but *only* on condition that it is the result of genuine consent. This means that:

- 1 There must be no attempt by Britain to force Northern Ireland, against its will, into unification with the South.
  - 2 Conversely, Britain will place no obstacle in the way of reunification if, as Liberals hope, the majority of the people in Northern Ireland come to desire it.
- i.e.* Ultimately the future of Ireland is a matter to be decided by the people in both parts of the island.

*(Paraphrase of Resolution passed at Liberal Party Assembly, Scarborough, 1971).*

Two points ought to be made at the outset as regards the possibility of *reunification*:

- a To paraphrase Lord Boyle there can be no unification of Ulster with the rest of Ireland until Ulster herself is united.  
Unification at the present moment would merely transfer the problem of the non-consenting minority to a wider contest but with the large Protestant population being now in a minority.
- b The disparity in development between Northern and Southern Ireland, in particular within Education and the Social Services added to the practical difficulties of integration, make unification a very distant aim.
- 3 Membership of the European Economic Community and the resulting integration of the two economies will alleviate this problem but this is something very futuristic.

Although it is possible that co-membership of the E.E.C. may prove to be the turning point for Irish reunification such a policy must, to a large extent wait on events.

Nevertheless, the present links between the two countries should be preserved and encouraged for their mutual benefit—although to attach any political strings to such links would be to court the wrath of Northern Protestants fearing a sell-out on the border issue. Economic ties between North and South are growing rapidly and are of extreme importance on both sides:

- a Trade—growth by 150 per cent 1962/70 from £34 million to £87 million.
- b Anglo-Irish Free Trade Area Agreement 1965 by which Eire agreed to reduce tariffs by 10 per cent annually on most imports from the U.K. (including Ulster).

c Agreements to connect the two power transmission systems at a saving in capital interest of £10 million.

d Liaison between defence forces on both sides of the border.

These existing agreements could be institutionalised in the reformation of the old *All-Irish Council*, embodied in the 1920 Government of Ireland Act *without* in any way implying political concessions or constitutional adjustments on either side. Such a Council would represent the Governments and Oppositions in both Dail and Stormont through which trade agreements and further areas of co-operation might be explored.

Liberals propose that we offer the people of the Republic of Ireland the opportunity to acquire dual nationality of Britain and Eire. (Jeremy Thorpe speech to Scarborough Assembly, 1971). It must be emphasised that this is no panacea for the ending of strife but a *gesture* of a 'practical expression of goodwill' which depends for its effect on the latent goodwill of the people of Ireland. It represents a further attempt to draw closer to our Irish neighbours and also to draw together the people of both parts of Ireland under commonly held British citizenship.

The Liberal Council which met on 1st June 1974 passed the following resolution:

The Liberal Party affirms:

- 1 that so long as it is the will of the majority of its people, Northern Ireland is a part of the United Kingdom;
  - 2 that if the lives of the people in any part of the U.K. are threatened by terrorism or civil commotion, it may be the duty of the U.K. Government to use U.K. troops to protect lives;
  - 3 that the U.K. Government must guarantee and enforce democratic procedures and human rights in Northern Ireland but future internal government of Northern Ireland must be settled by the representatives of all communities there;
- and accordingly calls for;
- elections for a new Assembly as soon as possible, by single transferable vote in multi-member constituencies;
  - postal votes for these elections to be freely available;
  - these elections to be supervised by an independent authority, e.g. the U.N.

## D REFORM OF LOCAL GOVERNMENT

One of the principal reasons for the present disillusionment with politics and politicians in this country is the over-centralised government structure. There is a basic dilemma facing this country—local government has insufficient power, money and influence and the rise of bureaucratic management results in Whitehall being incapable of handling all its business and Parliament being unable to control government effectively. The overall effect is slow and inefficient government.

If the British people's faith in democracy is to be restored, and if the man in the street is to have the opportunity of effectively taking part in government we need a revolution in thinking.

The Conservative Government had their chance to take the first step in bringing about this revolution when it undertook the reform of local government in the Local Government Act 1972. Local authorities were too small for many modern services and successive Governments had transferred powers away from local government to remote ad hoc bodies of nominees. The result

was a glut of regional bodies such as the Hospital Boards, and the Gas and Electricity Boards.

All these bodies were undemocratic and the urgent need was to introduce a strong tier of democratic government at regional level. But the Government let it slip away. Their reorganisation involved the retention of county councils, which are too small to take over the functions of the regional boards, and a further reduction in the powers and responsibilities of the second tier districts. If any indication of the degree of their failure were needed, their own subsequent reform of the health and water services on the basis of yet another tier of administration, i.e. the regional board, amply provides it.

One of the worst aspects of reform has been the setting up of the new River Authorities under the Water Act of 1972. In many respects the designation of the new authorities has cut across the pattern of the new County and District Councils. The Trent Authority is a good example of what can be achieved when one Ministry does not know what another is doing. This omniscient authority governs the Upper Trent Basin and cuts across several local government boundaries. It serves both the Trent County Council and the County of Powis in Wales, whilst the Welsh National Water Authority has control over water resources in the rest of Wales. As in the case of other nominated bodies, the authority is not democratically elected yet its devolved powers of both a financial and administrative nature, are considerable.

Finally in reorganising local government the Conservatives failed to grasp the golden opportunity it presented of fundamentally reforming local government finance.

How, then, should they have tackled the problem? What would Liberals have done in their place?

### **Structure**

The basic Liberal approach to the problem of modernising the structure of Local Government was summed up at the Brighton Assembly in September 1963. There a resolution was passed calling for:

'the reform of Local Government and the devolution of maximum responsibility to elected regional authorities, with extensive administrative powers and financed in part by local taxation'.

Indeed, Liberals were the first political party to accept that reform of local government could only be successful if coupled with measures to bring government nearer to the people by transferring functions from overworked central government to new regional authorities—directly elected by, and responsible to, the people.

When the Redcliffe-Maud Royal Commission on Local Government was established in May 1966, there was some hope that it would recommend reorganisation on the basis of elected regional councils. In the event, its Report (Cmnd. 4039-4040 11) published in June 1969, came down in favour of unitary authorities over most of the country with ill-defined local councils beneath, and two-tier metropolitan government in three of the major provincial conurbations. Such a pattern of reform was totally unacceptable to Liberals and the Brighton Assembly in September, 1969, rejected:

'the major proposals of the Royal Commission on the Reform of Local Government in England in that they would destroy local democracy, create a sham form of regional government and further strengthen central bureaucracy.'

## **Provincial Government**

The 1969 Assembly went on to reaffirm the proposals set out in 'Power to the Provinces', the Report of the Liberal Party's Committee on Regional Government, which was published in April 1968. This called for the establishment of 12 directly-elected Provincial Assemblies, armed not only with the major powers of local government but also possessing considerable responsibilities devolved upon them by the central government.

## **New Local Government Units**

The establishment of such a system of regional government would require a wholesale reform of local government areas. How this should be done was first explained at the Brighton Assembly in September 1966, in a resolution on the structure of regional and local government which called for:

'the abolition of the county councils and the creation of one major tier of local government (comprising city boroughs, county boroughs, and country districts, formed, where appropriate, by the amalgamation of existing local authorities) with powers, appropriate to administrative capacity, to be allocated by the regional authority';

The basic criteria which should determine the size and boundaries of these new units was laid down in a resolution at the Eastbourne Assembly in September 1960. This was that:

'reorganisation of areas should pay regard to community interest rather than mere numbers, and as many powers as possible should be allocated to the smallest unit';

## **New Towns Commissions**

One glaring anomaly of the present reorganised structure of local government is the position of the New Towns Commissions. Since N.T.C. members are appointed, not elected and, unlike Councillors do not have to answer to the public for their actions they are thus outside the democratic process.

When a New Town is being set up, it is right for a development corporation to be appointed to deal with the building of the first stage and following completion of this first stage, for a New Towns Commission to be appointed for a maximum period of five years.

The Liberal Party Council has, however, advocated that:

'at the end of the five year period, all assets and liabilities should be passed into the control of the local council, as should the building of subsequent stages in the development of the town'.

*(Resolution, 30th March 1974.)*

## **The Importance of Neighbourhood and Parish Councils**

Liberals believe that as a safeguard against the remoteness of large authorities the full potential of the parish council and of existing communities should be realised. The Party Council said in November 1962, that:

'parish councils should be retained and provision made for the creation of urban parishes.'

Again, at the 1966 Assembly, a resolution was passed calling for measures to provide:

'a new role for parish councils in small yet well-defined local communities in both rural and urban areas'.

By the time of the Scarborough Assembly in September 1971, the concept

of the neighbourhood council had been more closely defined, and delegates called for:

'parish and neighbourhood councils empowered to precept revenue from their local authorities in order to meet costs of community facilities and of safeguarding the interests of their locality and also being entitled to participate from the outset in all proposals affecting their area.'

### **Streamlining in Central Government**

A precondition of local government reform was the need to streamline the central government ministries involved in local government. The 1966 Assembly called for the setting up of:

'a new Ministry of Regional and Local Services to co-ordinate under one ministry those local government functions now dealt with by seven ministries.'

The Conservatives accepted the force of our argument when they set up the Department of the Environment in November 1970.

### **Making Local Government more democratic**

Liberals have long been concerned with the problem of making local government more open in its operations and more responsive to the wishes of the people. The 1960 Assembly passed a resolution which declared that:

'This Assembly considering that the present apathy towards local government is a danger to democracy... advocates that:

- 1 local Councils should provide more information of their activities. In particular both the Council and its Committees should be open to the press and public save in exceptional circumstances;
- 2 local Councils should adequately reflect public opinion. In particular proportional representation should be adopted for the election of councillors...';

The form of proportional representation favoured by Liberals was more clearly stated at the 1971 Assembly when there was a demand for:

'the introduction of the Single Transferable Vote for the election of local authorities, with annual elections for a fixed proportion of members';

There is also the growing problem of ensuring that candidates of real ability are able to stand for elections. Many employers put pressure on their employees to prevent them from engaging in political activity, and this threatens the vitality and efficiency of local government. At the Blackpool Assembly in September 1967, there was a call for action to safeguard the democratic rights of the individual. The resolution proposed:

- a that the Government should set an example by permitting any reasonable political activity to civil servants and local government employees where this is not in actual conflict with society's interests;
- b that employers should be obliged to allow essential time off for local government and Justice of the Peace duties, but should be re-imbursed from public funds;
- c that employees should be protected from adverse discrimination by employers who seek to discourage political activities by their staff outside working hours.'

The position of local authority employees has become even more troublesome since reorganisation. As the law stands at present, millions of people are disqualified from seeking election to a local authority. The 1971 Assembly,

appreciating the injustice of the situation, urged the removal of the disqualification clause from the Local Government Bill.

Other steps to make local government more democratic have from time to time been advocated by the Liberal Party. In particular:

- 1 *Aldermen*. The Party Council, in November 1962, called for the abolition of the aldermanic system and a four-year term for councillors. Both these points are now being taken up by the Government.
- 2 *Mayors*. The 1971 Assembly suggested the local authorities should have the right to choose their mayors or chairman by direct election.
- 3 *Time of meetings*. There should, in the view of the 1971 Assembly, be 'legislation that all Council meetings be held outside normal working hours except for those local authorities where appropriate scales of remuneration are granted to its members and committee chairman'.
- 4 *Local Ombudsman*. In July 1965, an investigation into the introduction of local ombudsmen as in Scandinavia was suggested by the Party Council.

## Finance

Each year it becomes more and more painfully obvious that the present rating system is incapable of increasing its yield sufficiently to pay for expanding local government services without imposing considerable hardship on large numbers of people. Liberals have long been aware of this fatal weakness and of the crazy nature of the present rating system and on many occasions have called for its replacement by a more equitable and flexible system of local government finance. The time has now come when all parties may well be in agreement on this urgent necessity as a result of the recent experiences of both Tory and Labour governments.

Under the Local Government Act 1974 each year a forecast is made of local authority 'relevant expenditure'.

## Relevant Expenditure

The term now covers virtually all net local authority expenditure out of revenue. It is estimated in consultation with the local authority associations. Regard is paid to the evidence of performance in past years, to the probable fluctuations in demand for the different services, and to the best projections which can be made for factors such as the numbers requiring education at various stages, the likely recruitment of police, and so on. That is the starting point, but the Secretary of State is also required by the Act to take into account the extent to which it is reasonable to develop local authority services in the light of general economic conditions.

For 1973/74 local government reorganisation has led to a change in the compositions of relevant expenditure. Certain services and their costs—namely, local health, the greater part of the school health service, sewerage and water expenditure—will be transferred to other bodies. On the other hand, certain other services will now come into relevant expenditure for the first time.

When the forecast of relevant expenditure is settled, Exchequer grant is fixed as a percentage of it. About 10 per cent of the grant is then deducted for specific grants towards particular services. The remaining 90 per cent of the grant is then divided between three elements—namely, needs, resources and domestic.



## Needs

The needs element is distributed to local authorities on a formula designed to reflect variations in their spending needs. The Secretary of State is required by the Act to prescribe various factors and sums which need to be taken into account in the formula. The needs element accounts for £1,907 million. That is about 60 per cent of the total grant.

## Resources

The resources element is intended to supplement the rate income of authorities whose rateable value per head is relatively low. It is paid when an authority's rateable value per head of population is less than a 'national standard' prescribed for the year in the order. The Government, as it were, step in as a ratepayer to pay rates on the deficiency in rateable value. In 1974/75 it will be paid to most rating authorities, and will take a larger share than usual to £723 million. That is about 25 per cent, of the total, and should go some way to removing part of the inequity of the previous system

## Domestic

The domestic element is very different. Rating authorities are required to levy lower rates on domestic than on non-domestic properties. Every rating authority receives an amount of domestic element grant which matches as closely as possible the authority's loss of rate income from this domestic relief. Under this order it would be more than doubled to £446 million, about 15 per cent of the total rate support grant.

## The Current Crisis

The total rate support grant for 1974/75 of £3,076 million (at November 1973 prices) was set out in the then Conservative Government's White Paper Cmnd. 5532, on 22nd January 1974. Introducing the White Paper the Environment Secretary, Mr. Rippon said:

'I believe that the percentage rise in domestic rate burdens can be kept to a maximum of about 9 per cent, subject to any exceptional local circumstances. In a number of cases, particularly in the cities, there should actually be a decrease in the domestic rate burden. The average national increase should accordingly be about 3 per cent.'

*(Official Report, 22nd January 1974, Vol. 867, col. 1469.)*

This statement was greeted with astonished incredulity by those active in the field of local government and in the even their distrust was vindicated.

The reasons why this foolish undertaking, made on the eve of a general election, could not be carried out are as follows:

- 1 The introduction of a major reorganisation of local government involving larger authorities inevitably led to increased costs and expenditure given the economies of scale involved. In other words bigger meant dearer.
- 2 The obvious solution to the problem of structural reorganisation, reorganisation of finance, was snubbed by both parties. Labour in setting up the Redcliffe-Maud Commission in 1966 refused to extend its terms of reference to cover finance. Then the Conservatives, in deciding to implement their own proposal for reorganisation betrayed a similar blank spot in their thinking and even exacerbated the problem for the smaller authorities by keeping certain items of expenditure at second tier level rather than logically transferring them to the county authorities.

- 3 The cuts in local expenditure of £111 million or 20 per cent of the total budget announced in December 1973. This was a false economy because the money had already been earmarked for new projects and the benefits were thus wasted.

The final result of the relevant expenditure negotiations permitted a growth of only 2½ per cent in local authority expenditure in real terms over the previous year. In this way it was hoped to limit the expenditure level for local authorities to 9 per cent in 1974/75.

The Conservative government then announced a rate support grant of 60.5 per cent. This was the highest ever percentage Exchequer grant and was laid down for mandatory differential rating to ensure that the domestic rate relief element of £446 million was distributed on the basis of the largest increase to warrant the largest relief. Included in approved rate increases qualifying for relief were increases in water and sewerage rates.

In one sense this was an equitable basis from which to operate. In another it was quite inequitable for it paid no regard to the actual amount of real increases in money terms, rather than percentage terms. Thus Cornwall with heavy percentage increases was to receive 40p per person in rate relief whilst the Trafford area of Manchester, with heavier actual rate increases received a mere 7p in the pound.

What finally killed any hopes of limiting local authority expenditure to a nine per cent increase was an inflation rate of 15 per cent. Short of a further revaluation there was nothing local authorities could do to meet their bills except to increase the rates. The Conservative Government had experienced the effects of inflation in 1973/74 when the difference on the estimate and the provisional out turn of local authority expenditure was over £200 million in real terms. They had responded firstly by moving some small blocks of expenditure away from local authorities to Central Government, in particular the local health services and 90 per cent of the cost of student awards, at a saving to local authorities of £348 million (November 1973 prices). Secondly the £111 million cut in local authority expenditure was part of a wholesale reduction in public spending at that time.

The new Labour Government took office too late to reopen the whole question of the total amount of grant which would be allocated in 1974/75 or the distribution of grant as between the needs, resources and domestic elements.

However it was possible to change the proposed distribution of £200 million of the domestic element in the grant as it was about to be administered under the formula of variable domestic relief. Quite clearly it seemed certain that, in many urban areas the rate increase for domestic ratepayers far from being limited to the estimated 9 per cent ceiling would have averaged at least 20 per cent and might well have reached 100 per cent. Mr. Crosland the new Secretary of State thus explained his position.

'Given the shortage of time there was only one practicable change which I could make and that was to replace the variable relief altogether by a uniform flat relief.'

*(Hansard, 25th March 1974, Vol. 871, col. 55)*

The variable domestic relief was in fact replaced by a flat rate domestic relief of 13p in England and 33½p in Wales. The change meant that inner cities benefited quite appreciably. Greater Manchester gained £2.7 million in domestic rate relief, Merseyside £3.3 million, Tyne and Wear £2.6 million,

South Yorkshire £400,000, West Midlands £89,000 and London £25 million. Mr. Crosland also announced a thorough review of the whole grant distribution before the 1975/76 allocations were made.

### **The Liberal attitude**

What has been proved very simply is that the present rating system is basically inequitable whichever way the grant is allocated and that the inner cities' gains or losses depending on what formula for assistance is adopted has the opposite effect on rural areas. Since the method of valuation is a static and cumbersome one there is also the perennial problem of filling a quart jug out of a pint pot. Not surprisingly, therefore, Liberal M.P.s adopted a 'plague on both your houses' approach.

In opposing the new orders, Richard Wainwright said:

'The worsening situation is the result of the House having dodged for many years the essential problems of local government finance, failure to give the Redcliffe-Maud Commission a mandate to examine and report on local government finance, the even more astonishing failure of the Local Government Act 1972 to contain financial provisions and, perhaps most reprehensible of all, the failure in Departments, in Cabinet and in the House to give proper consideration to the structure and size of the rate support grant.'

*(Hansard 27th June 1974, Vol. 875, col. 1778.)*

### **Liberal policy**

As Wainwright and other Liberal M.P.s who spoke in the debate pointed out, the only fundamental solution to the rating crisis lies in a long term reconstruction of the system. However there are a number of short term measures which can be taken, and there is every reason for the central government to come to the rescue of local authority expenditure with substantial support. Paul Tyler indicated three immediate measures of support in the debate on the Rate Support Grant order on 25th March 1974:

'The right honourable Gentleman must give three undertakings to meet the misgivings of honourable and right honourable Members. First, he should say—and I hope he will—that he is prepared to offset the burden of large water and sewerage rates.

'Secondly, there must be an immediate extension of rate rebates to cover sewerage and water charges. Those who are eligible for maximum rebate in my constituency face massive increases of about 70 per cent, and they are the people whom the Government say they particularly want to help.

'Thirdly, the right honourable Gentleman, in consultation with his colleagues in other departments, should give special assistance through the machinery of the geography of the development and intermediate areas, to those areas of the country where there is an accumulation of special factors.

'Fourthly, Liberals have long advocated that the whole cost of teachers' salaries should be borne by the national exchequer. This would greatly reduce the burden of rates falling on the ratepayer.'

*(Hansard, Vol. 871, col. 173.)*

The total cost of teachers salaries in England and Wales in the current financial year is estimated to be £1,440 million at 1974 survey prices. The teachers salary bill is already part of the relevant expenditure which attracts 60.5 per cent Rate Support Grant, i.e. £870 million of this sum is already

provided by the National Government. Nevertheless the burden of rates falling on local authorities would be substantially reduced if the remaining £570 million were transferred to Exchequer costs, and if this were done 80 per cent of the costs of Education would then be met automatically with the remaining 20 per cent being raised locally.

*(Source: House of Commons Questions, 29th July 1974.)*

Other candidates for direct transfer to the National Exchequer could be part of the cost of road building and the police precept.

In the long term, as Stephen Ross pointed out:

'... the time has come to look at the whole question of the finance of local government ... The present rating system is nonsense and it becomes annually more incomprehensible. The sooner that it is replaced by another more equitable method based on site values or a form of local taxation the better.'

*(Hansard, 25th March 1974, Vol. 871, col 97.)*

## **1 SITE VALUE RATING**

This has long been a major part of Liberal Policy and is dealt with in detail in the chapter on housing and land. As long ago as 1960 the Liberal Assembly declared:

'The whole method of rating needs to be reformed in view of the nationwide dissatisfaction with the present system and public concern over the high cost of building land. The government should immediately arrange for all land to be valued and for the lists to be published and reviewed frequently to ensure that land required for local government purposes shall be paid for at reasonable prices and to make possible the introduction of site value rating.'

There were further calls for the introduction of site value rating at the Edinburgh Assembly in September 1961, and by the Party Council in February 1964. Following the publication in 1965 of the pilot survey on site value rating carried out in September 1965, reinforced by the survey's findings, restated its belief in the need for site value rating and also called for other measures to strengthen local government finances. The resolution said:

'This Assembly urges HM Government to initiate immediate action to reform the rating system so as to ease the rapidly increasing burden on householders:

- a to rate all empty properties, subject to relief for a reasonable period to allow for change of occupation;
- b to make the future basis of rating assessment the value of the site, not of the buildings;
- c to transfer a large part of the cost of Education and Roads from rate-borne expenditure to the Exchequer;
- d to institute immediately at Government expense a survey of an industrialised area along the lines of the Rating and Valuation Association's pilot survey of site value rating at Whitstable;
- e to guarantee to local authorities by way of annual grant a fixed percentage of taxes raised upon income.'

## **2 LOCAL INCOME TAX AND OTHER TAXES**

As a further measure to strengthen local finances, Liberals have often advocated that certain specific taxes should be assigned to local authorities. Suitable taxes might be motor vehicle licence fees and a tax on

betting and gambling, as well as a limited direct tax on incomes either locally levied or precepted from the national exchequer.

### **Conclusion**

Liberal policy is based on three main approaches:

- 1 To replace the present rating system by the superior site value rating.
- 2 To recast the grants system to make local councils less dependent on the whims of Whitehall, by specifying in advance the level of grant as a percentage of taxes on income.
- 3 To widen the resources available by providing local authorities with new sources of income.

## 10 HOUSING AND LAND

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### LIBERAL POLICY AIMS

- 1 A high rate of house building and the rapid renovation of existing sub-standard houses, wherever possible.
  - 2 The replacement of the present rating system with site value rating to ensure a steady flow of land for building, to penalise the hoarder and speculator, and to return to the community a fair proportion of the enhanced value of land.
  - 3 A fundamental reform of the system of housing finance, treating home owners and tenants alike and paying subsidies on a personal basis through the tax credit system.
  - 4 The stabilisation of mortgage interest rates, with more flexible types of repayment, for first home buyers.
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### HOUSING

#### The Present Situation—England and Wales

##### a *Homelessness*

There are now over 20,000 adults in hostels for the homeless and 6,000 children in local authority care as a result of homelessness. In 1972 there were 26,950 applications for temporary accommodation and 8,290 families were rehoused. In London alone there were 11,772 applications for temporary accommodation and 5,894 families were temporarily rehoused. (*Source: Shelter Report on Homelessness, November 1973.*) By contrast there are more than 675,000 empty dwellings in England and Wales: 100,000 in the G.L.C. area alone, 49,000 of these being local authority owned (*Shelter: 'Empty Property' press release, 5th August 1974*).

##### b *Sub-standard Housing*

Over three million people—more than one in twenty of the population—live in bad or severely overcrowded houses.

The Conservative Government's sample Housing Stock Survey, carried out during 1971 and published in 1972, showed that out of a total stock of just over 17 million homes, no fewer than 1.2 million are unfit for human habitation; 2.9 million lack one or more of the basic amenities of a fixed bath, sole use of an inside W.C. and hot water at three points. In addition 2 million homes have no internal lavatory; 1.6 million lack a fixed bath; 2.3 million have no hot or cold water system and 2 million are without a washbasin. All in all, over 1½ million homes in England and Wales (not classified as slums) require repairs costing £250 or more, lack one or more of the basic amenities or require both basic amenities and repairs.

(*Better Homes: The next priorities—Cmnd. 5339, June 1973.*)

Clearance and improvement have made an impact on the 1.2 million slums, and the Government estimates that 700,000 of these are inside present clear-

ance areas, which means that there are firm plans to dispose of them. But the other 500,000 are likely to prove infinitely more difficult to clear and fresh properties are deteriorating each year. Estimates vary considerably; nobody seriously suggests fewer than 75,000 per year and Shelter put the annual figure at 200,000 in 1971. This was based on the age of the housing stock and the likely rate of obsolescence.

### c *House-building*

All three political parties have in recent years agreed that a building rate of 500,000 homes a year is needed.

### **Labour's Record 1964-70**

The National Plan of 1965 envisaged building '500,000 houses in the United Kingdom in 1970' (page III, part I). This was repeated in the White Paper 'The Housing Programme 1965-70' (Cmnd 2838, 1965). Mr. Harold Wilson, speaking in Bradford on 27th March, 1966, said:

'We have embarked on a massive expansion of the housing programme . . . reaching by 1970 no less than 500,000 new dwellings. This is not a lightly given promise, it is a pledge.'

The plan was abandoned in January 1968. In the words of Mr. Greenwood: 'housing had to make its contribution to economic recovery'.

Or in other words, the failure of the Government's economic policy meant less homes.

### **Conservative Record 1970-73**

The Conservative Government set no targets in either of its White Papers 'Widening the Choice—the Next Steps in Housing' (Cmnd 5280, April 1973) or in 'Better Homes: The next priorities'. However its house-building record since 1970 deteriorated annually and the 1973 figure of completions were the worst since 1959 as the following table shows:

#### **House completions—thousands**

Conservatives	Labour	Conservatives
1959 — 282	1965 — 391	1970 — 362
1960 — 304	1966 — 396	1971 — 364
1961 — 303	1967 — 415	1972 — 330
1962 — 313	1968 — 425	1973 — 293
1963 — 308	1969 — 378	
1964 — 383		

*Source: Department of Environment Statistics.*

A breakdown of the 1973 figure shows that the 125,000 completions in the public sector were the lowest for fourteen years while the private sector completions were the lowest for any year since 1963, with the exception of 1969 and 1970.

### **Surplus or Shortage**

Predictions that the national housing shortage would be overcome by 1973 were consistently made by Labour Ministers Anthony Greenwood and Kenneth Robinson whilst in office.

Commenting on these predictions Mr. Des Wilson, the then Director of Shelter, said it was not enough to have as many units of accommodation as families:

'they must be in the right place, at the right price, of the right standard, and of the right size. There is no chance of us meeting any of these conditions by 1973 or even by 1983'. (Daily Telegraph, 8th February 1969.)

Mr. Enoch Powell would no doubt agree with the need for caution in forecasting. In the days when he was a member of a Tory government, he made his own predictions:

'We are now within sight, and should in twelve months' time or so be level with an equation of the overall supply and demand of houses'.

(Hansard, 21st November 1956.)

#### d House Prices

##### **The Conservative Record 1970-74**

House prices actually doubled in the period between June 1970 and December 1973 and the spectre of the £10,000 'semi' has become a reality.

The figures for the first two years of Conservative Government show that house prices rose by 21 per cent in 1971 and by another 47 per cent in 1972.

The average price of a new house had risen from £5,000 in 1970 to £9,649 in June 1973—a rise of 93 per cent. (Nationwide Building Society Survey, July 1973.)

##### **The Labour Record, February-July 1974**

House prices have stabilised since the turn of the year, mainly due to a massive fall-off in demand (see Appendix). On 7th August the Labour Government's Minister of Housing, Mr. Reginald Freeson, met representatives of the private house-building sector and a decision was taken to set up a Joint Committee to consider the problems caused by a glut of 50,000 unsold new dwellings.

#### e Economic Policies

To a large extent the failure to reach the target of 500,000 houses a year, the failure to match supply and demand and the resulting increases in prices, are a result of Stop-Go policies applied to the whole economy. Stop-Go falls with particular severity on the building industry owing to the importance of interest rates in house construction and house buying. Also, council housing along with other kinds of public construction is usually one of the first victims of freeze and squeeze. Under Stop-Go the construction industry, together with the consumer durables industries, bears a quite disproportionate share of the burden of overall regulations of the economy. The most important step which could raise the rate of house building would be the abandonment of Stop-Go and the initiative of policies to ensure steady rate of growth.

#### f Renovation

While successive governments have failed dismally as regards new house building, it is at least as important to make the best use of the existing stock of houses as it is to build new ones. A house may be declared unfit because of bad arrangements (e.g. back-to-back layout) or special hazards such as subsidence, but in the majority of cases it is due simply to lack of repairs and maintenance. It is significant that 61 per cent of all unfit houses inhabited in 1971, were privately rented. (Better Homes: The next priorities.) The Conservative Government's record in the approval of Improved Grants is apparently, vastly superior to that of its Labour predecessor:



**Number of dwellings:**

	1969	1970	1971	1972	1973	1974
'000's	124	180	233	368	453	184*

\*First and second quarters only.

Source: *Annual Abstract and Department of Environment.*

These figures are broken down in the appendix at the end of this chapter. However, there are anomalies associated with the provision of improvement grants and there is evidence that many of these grants are going to those who specialise in 'doing up' old houses to make a quick capital gain on their resale or to those who can afford to buy a second home. In short indiscriminate provision of improvement grants may exacerbate problems of housing shortage by contributing to higher prices and putting houses out of the reach of the average family. One method of ensuring that grants go to those in need might be to make the grant a fixed amount not a fixed percentage. Then instead of a householder having to find half the money whatever he spends on improvement, poor households doing improvements cheaply would get most out of the cost paid by the grant and rich households making expensive improvements would get back a smaller proportion of the cost.

Several factors discourage adequate repair, maintenance and improvement of older houses and impart a bias towards demolition and rebuilding as opposed to renovation:

- 1 Building societies are usually unwilling to grant mortgages on older houses.
- 2 The pattern of subsidies from central to local government is biased towards new building rather than renovation. For example, there is no provision for Local Authority Repairs Account in the 1972 Housing Finance Act.
- 3 Large-scale demolition and rebuilding, while essential in some areas, often tend to neglect social costs such as costs of movement, the preferences of the population moved, and the structure of the population. For example, the New Towns have failed to provide flatlets for young people who wish to move away from home such as is found in London and other cities. In many cases a process of natural growth would be preferable to wholesale demolition and rebuilding. A further need is for larger numbers of single-bedroomed homes for old people who now occupy houses far too large for their needs. Here there is tremendous scope for local authorities to provide more flexible schemes of assistance to help those without means convert unwieldy under-occupied properties, particularly in large cities.

### **g Rents**

#### **The Housing Finance Act**

The Housing Finance Act was based on proposals outlined in the Conservative Government's White Paper 'Fair Deal for Housing', which was approved, with Liberal support, in the House of Commons on 19th July 1971. The Bill itself, however, was opposed by Liberals at the Second Reading (on 15th November 1971) and at the Third Reading (on 8th May 1972). The Bill received the Royal Assent on 27th July 1972.

### **1 BASIC AIMS**

The Housing Finance Act attempted to reshape the previous fragmented and often inequitable system of housing subsidies in order to provide increased financial aid for local authorities in England and Wales that have major

housing problems. The Act also introduced a common system of rent-assessment and comparable rent-aid schemes for all categories of tenants.

A rough breakdown of all British householders gives us:

1971 Figures	
Owner-occupiers	52%
Council tenants	28%
Private tenants	14%

The *essential elements* of this new system were to be:

- i In both public and private sectors, an economic or *fair rent* reflecting the true value of the dwelling.
  - ii A *rent subsidy*, where necessary, based on the needs of the tenant rather than on the value of the dwelling.
- These elements were developed in the Act into the following proposals:
- i 'Fair rents' for all tenants who can afford them.
  - ii For those tenants who cannot afford 'fair rents', rent rebates (in the public sector) or rent allowances (in the private sector).
  - iii Concentration of Exchequer subsidies on local authorities with the worst housing problems.
  - iv New arrangements for financing housing authorities through the replacement of existing Exchequer subsidies by eight new subsidies.

## 2 A NEW SUBSIDY SYSTEM

The Housing Finance Act aims to provide a more selective subsidy system in order to concentrate help where it is most needed, increasing financial aid to local authorities with major housing problems.

### a *Defects of the old system*

The old subsidy system, based on universal and indiscriminate subsidies, was riddled with anomalies and injustices. In particular, council rents bore little or no relation to housing costs or family incomes.

The most serious defects of the old subsidy system were:

- i Inequalities between householders in the private and public sectors.
- ii Inequalities between different local authorities.
- iii No necessary connection between subsidies and needs.

### i *Inequalities between householders in the private and public sector*

Under the old subsidy system, the poorest families were often housed in unsubsidised private accommodation. (In this sense, subsidised housing was a very fallible method of eradicating poverty.) At the same time, many relatively well-off families in council flats or houses were paying barely 5 per cent of their incomes on housing. Moreover, many private tenants and owner-occupiers were contributing to the rents of a substantial minority of council tenants better-off than themselves.

It should be noted, however, that an overall comparison of housing subsidies for council tenants with mortgage-interest tax-relief for owner-occupiers reveals a balance of advantage tilted marginally in favour of owner occupiers.

In 1971, total expenditure on local authority housing amounted to about £350 million, with an average subsidy of £30-£35 for each council tenant. But

tax-relief on mortgage interest payments totalled about £300 million, at an average of £60 for each owner-occupier. (*Source: the 'Observer', 30th April 1972.*)

*ii Inequalities between different local authorities*

Secondly, the old subsidy system fostered inequalities between different local authorities. For example, those authorities which built up their housing stocks before or just after the last war, in a period of low prices and low interest rates, were able to charge tenants (and ratepayers) only a fraction of what other authorities charged. Such authorities with sound stocks of low-cost housing needed only modest building programmes to keep in step with the needs of replacement and population growth. But less fortunate local authorities, such as the inner-city boroughs, struggled, in a period of escalating building costs, with the task of replacing large numbers of decaying houses. They thus found themselves seriously handicapped under the old system.

*iii No necessary connection between subsidies and needs*

Thirdly, the old system of universal subsidies tied to bricks and mortar, irrespective of family incomes, precluded any necessary connections between subsidies and needs. It was estimated that only 10-15 per cent—or between £1 and £1.50 in every £10—of Exchequer housing subsidies (which in 1971 totalled £350 million) went to the worst-off council tenants.

*b Aims of the New Subsidy System*

Because of these inequalities in the distribution of subsidies, it was widely felt that the old system was badly in need of reform. Greater selectivity was urged as a means of concentrating resources on the acute problems of slum-clearance, overcrowding and homelessness.

The Housing Finance Act, therefore, set out to tackle these inequalities by:

- i Detaching subsidies from bricks and mortar, and attaching them to people (whether council or private tenants).
- ii Taking subsidies or profits away from better-off authorities, and channeling them towards authorities in stress areas.  
Apart from this fundamental aim of redistributing subsidies more fairly and efficiently, the new subsidy system in the 1972 Act was designed:
- iii To relieve the rest of the community from the unfair burden of subsidising those who do not need subsidies.
- iv To reduce deficits on housing revenue accounts which have to be made up out of rates.
- v To release council accommodation for those on waiting-lists.

**Financial Provisions**

Under the new system, local authorities with a surplus on their housing revenue accounts, and with a large stock of housing already in existence, now have to pay 50 per cent of their surplus to the central government.

Out of the larger incomes generated in this way, councils now pay rebates to needy tenants and also pay allowances to needy private tenants.

Councils showing a deficit have 75 per cent of the deficit met by the Exchequer and the other 25 per cent from rates.

### 3 RENT-ASSESSMENT SYSTEM

Underlying the Conservative Government's proposals for a new subsidy system was its contention that both the private and public rented sectors should be brought under a common system of administration and that a system of 'fair rents' was just about the only basis on which the reshaped subsidy system could operate.

The principle of a 'fair rent' reflects the current value of a dwelling, given its age, character and location, in a market situation devoid of scarcity.

The principle itself derives from the Labour Government's 1965 Rent Act, where it was applied to a large number of private tenancies. The Labour Government also made provision for this 'fair rents' system to be gradually extended to unfurnished privately rented property.

#### The Old System

Like the old subsidy system, the old system of rent-fixing was inequitable and inefficient. For, by basing rents on historic costs minus subsidies, it was open to two major objections. Firstly, in an inflationary period, this system increased the discrepancy between council rents and the housing costs of the other two-thirds of the population. Secondly, it tended to accentuate inequalities between local authorities with a large stock of older houses and those with newer stock. Under the old system, councils with major housing problems were forced to raise rents, whereas councils with no major problems, and with most of their housing stock built up before 1960, could easily generate profits in their housing revenue accounts.

#### The New System

Under the system of 'fair rents', rents are fixed solely on the rental value of a dwelling, instead of according to the state of a local council's housing revenue account.

But beneath the ferment of controversy over 'fair rents' have been deeper ideological currents. For there has been a fundamental dispute over the proper role of the State in housing. In the Tory view, housing is regarded as a normal economic service, tempered by special aid for low-income families and depressed neighbourhoods. The Labour Party, on the other hand, tends more to a view of housing as a social service like health and education.

This dispute has generated conflicting beliefs about the economic fairness of 'fair rents'. To Conservatives, a realistic rent is what a house would fetch on the open market. But to many of the Housing Finance Act's critics, a realistic rent is the amount needed to meet the costs of building and maintaining a house.

A central point to be stressed in any discussion of housing costs is, of course, the fact that a house for owner-occupation bears a high investment premium on top of its strict domestic value.

Nevertheless, under the 'fair rents' system, the council tenant in some ways still gets a better deal than owner-occupiers. For many council tenants will get their homes at favourable rents. 'Fair rents' are expected to average about 20 per cent less than open market rents—especially in high-cost areas, or in towns or cities with housing shortages. Moreover, council tenants don't have to pay for the maintenance of their homes, and have a built-in insurance scheme (in the form of the rent rebate system) in case of hard times.

The owner-occupier, on the other hand, has to pay the full market price for his home, has to find a deposit, and pay for the upkeep of his property. In doing all this, he will be paying out at least 30 per cent of his income on mortgage-repayments, and may well be in difficulties if he falls ill or loses his job.

It would appear then, that there is a good deal of rhetoric and hyperbole in the Labour Party's denunciations of the 'fair rents' principle, and in its repeated claims that council tenants always fare worse than owner-occupiers.

#### **4 THE LIBERAL ATTITUDE**

The Liberal Party has, for over ten years, supported both the idea of a reformed subsidy system and the principle of 'fair rents'. The 1967 Assembly stressed the need for a 'reappraisal of the present subsidy system, with the eventual aim of replacing it by one which operates on a person basis, making no distinctions between different types of tenure, and giving greatest assistance to the least fortunate'.

For these reasons, Liberals supported the Conservative Government's 1971 White Paper, 'Fair Deal for Housing', and the basic principles underlying the 1972 Housing Finance Act, while objecting to its mechanics and detailed proposals.

#### **5 MERITS OF THE ACT**

##### *i More generous aid for families in need*

The first and most obvious merit of the Act is the provision—in the form of rent rebates and allowances—for families in need, for those on the lowest incomes. It is estimated that by 1975/76 about 40-45 per cent of all council tenants and 30 per cent of private tenants will be entitled to rebates and allowances.

The allowances for private tenants are a welcome innovation. It should be remembered, too, that under the old system, 40 per cent of local councils had no rent-rebate schemes for council tenants.

##### *ii Defence against 'Rachmanism'*

The fair rents scheme will protect tenants from the pressures of 'Rachmanism'. For they now have the right to insist on paying only a fair rent.

##### *iii Subsidies for tackling slum-clearance and overcrowding*

'The Act provides financial aid for local councils in tackling the major problems of slum-clearance and overcrowding—with a view to solving both these problems by 1980'. Julian Amery, speech at 1971 Conservative Party Conference, Brighton, 15th October 1971.

For this purpose, a special Slum Clearance Subsidy (now quite separate from any council redevelopment) and a Rising Cost Subsidy will be paid to those local authorities in need of them.

##### *iv Better maintenance of property*

The Act will help to keep houses in good condition by means of:

- a Better improvement grants.
- b Help—in the form of 'fair rents'—for low-income landlords—an incentive to maintain houses in a better condition.

v The Act in general will encourage the *trend towards greater home-ownership*. This, however, is a more dubious advantage since the Act, by driving council tenants into the owner-occupier market, may well intensify the inflation of house prices.

vi Under the Act, the previously discretionary award of rent-rebates is now converted into a statutory duty of local authorities.

## 6 DEFECTS OF THE ACT

### i *Financial Provisions*

From the Liberal viewpoint, the most objectionable feature of the Act is its financial provisions. For the Conservative Government is in effect operating its national scheme of rent rebates and allowances at the expense of ratepayers and better-off council tenants. This is because:

- a The Government will save up to £300 million per annum over the next ten years on its expenditure on council housing. It is unlikely that these savings in public spending will be handed back in the form of tax-relief. Instead, these savings will really be extra money which the Government can spend without increasing taxation. The Government is thus receiving a *hidden subsidy*. At the same time, it is neatly shifting the extra financial burden away from the Treasury and on to the backs of ratepayers and council tenants.
- b Fifty per cent of any surplus produced by a local council's housing revenue account must be paid to the central government, whereas 25 per cent of any deficit must be made up from the rate fund. A classic case of heads they win, tails you lose.
- c In no case will a council deficit be met entirely by the Exchequer. Areas with large building programmes or widespread pockets of poverty will, therefore, be forced to raid their rate fund just to break even. Such funds are likely to be inadequate in areas with low property values. *Stress areas*, then, may well have to shoulder their own financial burdens. The Government's transfer of surpluses from richer to poorer areas is a dubious remedy for this situation. For it will be council tenants in richer areas who will be helping to pay for rebates and house-building in poorer areas.
- d *In areas where rents are high* although rebates will form a large sum, it is likely that rent income will be so much higher than the Housing Revenue Account balance that rebates will be paid from the Housing Revenue Account. No subsidy will be required either from the Government or from the rate fund. In other words, the better-off tenants alone will be paying for the needy tenants' rebates in these areas.
- e The cost to ratepayers could amount to a real burden in some areas. No account is taken of the proportion of council property to private property. In areas with a large proportion of council property, councils may well halt necessary council building schemes in order to ease the mounting burden on ratepayers.
- f As regards rent allowances for private rented property, the Conservative Government shifted responsibility for relieving poverty on to local rate-payers and rent payers. This amounts to a reversal of the long-standing tradition that the relief of poverty is essentially a *national* problem and *national* responsibility.

It would appear, then, that the financial allowances schemes conflict sharply with the Conservatives' stated aim of 'fairness between one citizen

and another in giving and receiving help towards housing costs'. Far too much responsibility has been shifted on to ratepayers and better-off council tenants.

## ii *Loss of Local Authority Freedom*

The second major line of Liberal criticism is directed at the loss of local authority freedom and authority entitled in the Act's provisions.

Previously, local councils could determine their own housing policy according to the needs of each area. But central government has now imposed an inflexible policy that is mandatory upon every housing authority. In this way, as John Pardoe has argued, the Act 'will virtually nationalise all public housing, taking away the effective control of housing from local councils, while paying lip-service to the idea of local housing'. (*John Pardoe, House of Commons, Housing Finance Bill, Second Reading, Hansard, 15th November 1971, col. 100-1*). The Government, for instance, by compelling local councils to submit their assessments to Government-appointed scrutiny committees, is thus curtailing the administrative and financial independence of those councils.

The Conservative Government argues that local authorities' role in housing (in slum clearance, urban renewal, etc.) will be increased once housing finance is on a sound basis. But this evades all the problematic questions about rent-fixing, rebates, and housing revenue accounts.

## LIBERAL ATTITUDE

The Liberal Party believes that local councils should retain their freedom and autonomy within the framework of national policy. They should continue to determine levels of rents, rebates, and balance of profits and losses. They should continue to exercise their local judgement on local needs. In the last analysis, they should have primary responsibility for the public sector. If larger administrative units are required, they should preferably be modelled on a regional basis.

## iii *Extension of Means Testing*

Thirdly, Liberals object to the vast extension of means-testing inherent in the Act.

The proportion of tenants eligible for rebates will be high over the country as a whole, and in some areas very high. (The Conservative Government's estimates suggested 40-45 per cent of all council tenants and 30 per cent of private tenants by 1975-76). In Cornwall, for instance, the chief financial officers estimated (in 1971) that nearly 90 per cent of all Cornish council tenants would be eligible for rent rebates. Very serious doubts must surround any means test with this degree of eligibility.

One of the most serious consequences of this is that millions more people will have to apply and be assessed for a rebate. The take-up rate may well be low, due to pride, ignorance or other factors. (As it is, for example, for Family Income Supplement—only 50 per cent.)

Another major objection to this form of means-testing is the degree of bureaucracy involved. Lord Avebury pointed out during the Bill's 2nd reading (18th May 1972) that 400 additional officers would be needed for rent assessment panels, 100 officers for supplementary benefit surveys, as well as 850 more rent officers. Then in addition there would be an unspecified number of administrative staff required for rent rebate and allowance schemes.

Some of these numbers will be offset by reductions of staff employed in connection with the old subsidy system. (*Julian Amery, 15th November 1971,*

col. 34). But there seems no denying the fact that a large increase in bureaucracy will be an inevitable by-product of the Act.

### **Labour and Means Test**

The Conservative Government's means-testing approach in some respects was a more systematic extension of the policies of the Labour Government (1964-70). For Labour recommended local councils to adopt rent-rebate schemes, which 60 per cent of them in fact did. The Labour Government also started a rate-rebate scheme based on a means test, and continued existing means tests in other areas of social policy.

### **Liberal Attitude**

Liberals would like to see rent-rebates incorporated into a *Housing Credits System* as part of an *integrated tax and social security system*. Under this system, credits would be provided automatically for all householders—council and private tenants, owner-occupiers, and members of housing co-operatives.

All tax-reliefs on mortgage interest, rebates and allowances would be replaced by fixed housing allowances, treated as part of the recipient's taxable income.

In general, where liability to tax exceeds credits, the balance would be paid by the individual to the tax authorities. Where credits exceed liability to tax, the balance would be paid by the tax authorities to the individual.

Housing credits would be subject to regional variations.

For the purpose of calculating the value of credits, the country would be divided into a number of housing zones, based on:

- a regional differences in the prices of houses for owner-occupiers, and
- b the cost of land and construction for local authorities.

In making such calculations, it would be necessary to achieve a balanced provision of aid to all householders—owner-occupiers, council tenants, and private tenants. If the value of credits is set at a level adequate to support modest owner-occupiers, then it is likely to be very generous in relation to council tenants. As a necessary concomitant, therefore, of this housing credits scheme, it would be necessary to preserve a system of fair rents. Fair rents would not take into account any scarcity factor beyond that implicit in the housing credit for the area concerned.

#### **iv Lack of Housing Repairs Account**

A fourth major Liberal objection is levelled at the Act's lack of provision for a Housing Repairs Act.

This could mean that local authorities will tend to skimp repairs if higher spending entails drawing deeply on the rate-fund to support a housing revenue account in deficit. Councils with a progressive attitude towards tenants, and with a desire to improve and modernise property, will be penalised.

### **Liberal Attitude**

In the Liberal view, local authorities should have the right to retain a fund separate from their Housing Revenue Account in order to undertake repairs and modernisation.

These are the four main Liberal criticisms of the Housing Finance Act. But other objections can also be cited:



v *The imprecise formula for calculating 'fair rents'*

This does not take enough account of difference in circumstances between the public and private sectors. Some private landlords, for instance, may need higher economic rents in order to break even. Also existing calculations are too insubstantial to be used as guidelines (e.g. in Birmingham, only 5 per cent of private dwellings have so far been assessed).

vi *Intensification of owner-occupier market*

Higher council rents may well drive more council tenants on to the owner-occupation market and so push up house prices even higher.

vii *Segregation by income*

Local authorities may tend to allocate poorer families to older, low-rented property and better-off tenants to newer, higher-rented property in order to minimise the amount paid out in rebates.

## 7 LABOUR'S APPROACH

The Labour Party has echoed some of the above criticisms in its attack on the Act. But much of its fury has been directed at the inflationary aspect of 'fair rents'.

At least three objections can be levelled at Labour's line of attack:

- i In an inflationary period, some method or other has to be devised for meeting rising costs. In the case of housing costs, the alternatives to raising rents are raising rates or increasing the Exchequer subsidy. All three methods are likely to be inflationary—rate increases in particular, since over half the rates fall on business costs. At least there is an element of selectivity underlying rent increases, with the lowest-paid actually receiving rent reductions.

Nevertheless, during the freeze period of the Government's statutory prices and incomes policy, a standstill on rent increases would have been an economically prudent measure.

In January 1973, the Liberal Economic Group argued that rents, which represent such a substantial proportion of the expenditure of ordinary people, should be frozen for the remainder of 1973.

But the Government decided against postponing the next round of rent increases due in April 1973. Instead, it has chosen to tackle the problem at the other end by raising the needs allowance on which eligibility for rebates is based.

- ii Labour spokesmen probably overestimate both the extent to which rents will be increased, and the overall burden on council tenants.

The Act's rebate provisions are so complex that any conclusions about the overall impact on rents and rates must be very tentative. The relative burden will differ from area to area. In stress areas, the onus is likely to be on council tenants from richer areas. In high-rent areas, the onus will be on better-off council tenants. In areas with a high proportion of council property, it will be ratepayers who will bear the strain. And so on.

- iii Labour favours council rents based on pooled historic costs (i.e. total rental income in each area should be set to cover costs of maintenance, management and debt servicing).

But pooled historic costs as a principle of rent-fixing would probably mean:

- a that those local authorities with the biggest need to provide new houses would place the biggest rent burden on their tenants;
- b a very rapid rise in rents in many inner-city boroughs, which have post-1960 housing stock and high replacement costs.

## 8 CONCLUSION

Liberals support both the idea of a reformed subsidy system and 'fair rents' as a principle of rent-fixing.

But they find it impossible to support the implementation of these two basic principles in the Housing Finance Act.

Liberals deplore the Act's mechanics of administration for at least four major reasons, i.e.:

- i the Act's financial provisions,
- ii the loss of local authority freedom and autonomy,
- iii its extension of means-testing and bureaucracy,
- iv its lack of a housing repairs account.

In place of this, the Liberal Party would aim to:

- i restore primary responsibility for the public sector to local and regional authorities;
- ii work towards a more refined and extensive tax credit scheme, with housing credits as part of an integrated tax and social security system.

### *The Rent Freeze*

The Secretary of State for the Environment, Mr. Anthony Crosland, announced on Tuesday 5th March a freeze on all Commercial and Domestic Rents until the end of 1974. In this he was supported by the Liberal Party. The Liberal Manifesto for the February 1974 election had advocated:

'a freeze on all rents during the period of economic restraint'.

(*'Change the Face of Britain', page 19.*)

However, the Labour Government has since then dismantled statutory wage controls and in these circumstances the case for a continued rent freeze is weakened.

### *The Rent Act 1974*

The Act extended security of tenure and rent control to furnished tenants on the same basis as unfurnished tenants—except where the landlord lives on the premises. It thus enacts a long standing Liberal commitment and was welcomed by the Liberal Housing spokesman Paul Tyler, in the House of Commons. However, partly due to a Conservative filibuster in committee designed to delay the passage of the Bill, it was rushed through its later stages and as passed is in a very rough and ready form. As a result there are bound to be many difficulties in implementation.

The main effect of the Act concerns rent assessment. Most of the 750,000 tenants in the United Kingdom (279,000 in London alone) can still ask rent officers for a fair rent assessment and will also be entitled to rent allowances, on the same basis as unfurnished tenants. But they are now protected from the threat of eviction if the landlord disagrees with the assessment. Tenants in furnished homes can only be evicted if the landlord wins a possession order in the county court. Where the landlord is resident on the premises, the tenant can still be given six months security of tenure by a rent tribunal; the security can be extended indefinitely.

There are important exceptions to the main rules. The most awkward is likely to be where there is a 'resident landlord', for the usual test of landlords' 'sole or main residence' is not used. Landlords who use a flat once a week might not be included and the point will have to be settled in court. Of London's 250,000 furnished flats, 30 per cent have landlords on the premises.

The law also protects landlords if, for example, they have been letting out homes bought for their retirement, or while they are working abroad. They must give their tenants six months notice before reclaiming their homes.

### **Defects in the Act**

Undoubtedly the greatest concern is that the supply of furnished tenancies will dry up completely due to landlords' fears that they will be unable to remove bad tenants. The number of furnished tenancies has been declining at a rate of 125,000 per year and small landlords have found it more and more difficult to balance mortgages, rates and repairs against the rents they earn—particularly during the rent freeze. Selling off houses as one unit rather than letting rooms singly or as flats may be their only alternative. The difficulties of removing awkward tenants is also a major reason why large property companies are deserting the furnished accommodation market.

As one measure to overcome this problem Liberals have suggested that each furnished letting should be for a limited period with a lease provided, which is renewable. The landlord should be obliged to offer the sitting tenants first refusal on a new lease if he decides to re-let the property at the end of the period, providing the tenant has met the conditions of the original lease.

## **9 LIBERAL POLICY**

### *A crash housing programme*

Successive Liberal councils and assemblies have called for a target of 500,000 houses a year for a period of ten years to deal with the most urgent needs. The 1967 Assembly urged that greater emphasis should be placed on home building in the overall national building programme, and called for the restriction of non-essential commercial building in overcrowded areas.

The 1968 Assembly condemned the failure of successive governments to undertake an adequate housing programme to meet the growing needs of the homeless and poorly-housed in our cities and the insensitive and undemocratic administrations which have failed to utilise the existing housing supply fairly. Liberals were urged to take direct action at community level to alleviate this hardship through existing pressure groups in the housing field, or where necessary independently.

The 1972 Assembly Commission adopted a comprehensive housing programme with the main objective of a minimum standard of accommodation for every person.

Among the policies adopted were the following for house-building:

- 1 The house-building industry should have access to special lending rates to finance buildings for both the private and public sectors.
- 2 Building societies should be encouraged to lend money on houses built by industrialised and other non-traditional construction techniques, and on older houses.
- 3 Local authorities should be urged to take advantage of the Government subsidy available to help finance the sale of municipally owned land at less than cost to local co-operative and self-build housing associations.

### **Sub-contracted Labour (The Lump)**

One of the chief problems of housing programmes has been the difficulty of attracting and paying suitable labour. The system of 'Lump' labour on a sub-contracting basis has a number of undesirable and unstable features, among the most important of which are:

- i Lack of job security or continuity—no redundancy procedures apply.
- ii The unwillingness of those engaged in the Lump to train new recruits to the industry.
- iii The inflationary effects on wages of unregistered labour in great demand.
- iv The indifferent quality of work.

Mr. Gordon Bayley, Chairman of the Liberal Party's Housing Panel, is one of the authors of a set of proposals to solve this problem permanently. The proposals include:

- 1 *A graded wage structure* which takes account of specifically defined skills and which enables multi-skills to be developed and rewarded.
- 2 *A permanent employment agency for the Building Industry* analogous to the Dock Labour Board. The Labour Board would keep a register of permanent employees and a separate register of seasonal employees. It would set levels of recruitment and act as an employment exchange thus decasualising the industry. The Labour Board would set minimum levels on gradings of rates not actual payments which should be nationally negotiated.
- 3 *The Construction Industry Training Board* should be used as a training institution to a greater extent than it is used now and in conjunction with the Labour Board. (*Source: Building Industry Wage Structure. U.M.I.S.T. study.*)

### ***Preservation of Housing Stock, Renovation and Improvements***

The 1972 Assembly agreed the following policies:

- 1 There is a place for the small private landlord for the housing of students, mobile sections of the community, and for family arrangements.
- 2 Where any homes, designated as fit, are destroyed by public works the authority executing those works must replace them.
- 3 Improvement grants, both standard and discretionary, should not be available for second homes. (This has now become law with the passage of the 1974 Housing Act, which Liberals supported.)

### ***The Role of Local Authorities***

The Liberal Party sees an expanded and more flexible role for local authorities but recognises that aid and guidance must come from the central government. Accordingly, it proposes the following measures:

- 1 The housing cost yardstick should be abolished leaving local authorities greater freedom to build to meet their specific needs.
- 2 Local authorities should have power to buy residential property owned for letting by large commercial organisations.
- 3 Local authorities should be obliged to purchase for an amount determined by the district valuer any tenanted property offered to them by private landlords. (This was a notable omission from the 1974 Housing Act.)
- 4 The control of public sector housing should be reformed by a transfer of the management responsibility from the existing authorities to locally based tenants' associations.

- 5 Local authorities should be encouraged to provide accommodation for a fixed limited period, for young married couples and similar special categories, which combine a compulsory savings scheme towards the deposit on a home, with low rents.
- 6 The sale of council houses should be at the discretion of each local authority with two caveats: there should be no diminution of the stock of council houses *in relation to anticipated demand*; and appropriate safeguards should be incorporated in agreements to prevent resale for profit.

### *Housing Associations and the Voluntary Housing Movement*

Liberals believe that there is considerable scope for further development of non-profit-making housing associations, although we would like a proper register kept to distinguish between bonafide associations and private profiteers. The 1962 Assembly called for 'further financial assistance to non-profit-making Housing Associations and Local Authorities in order to meet local needs for rented accommodation' and 1967 Assembly called for Housing Associations to be given the opportunity to assist in alleviating the housing crisis, and for the revision of the tax system, which discriminates against such non-profit-making bodies.

The 1972 Housing Finance Act now obliges Housing Associations to charge 'fair rents' and to meet 40 per cent of any deficit incurred after three years. Since one of the major roles of Housing Associations is to build specialised housing, often operating at a loss, such measures will force these bodies to keep their deficits as low as possible, to the detriment of specialised housebuilding.

### **THE HOUSING ACT 1974**

Many of the provisions of this Act concerned the voluntary housing movement and it was supported by the Liberals in both Houses of Parliament, although as Paul Tyler said:

'this is but a small step and a great many much larger steps must be taken in the coming months if we are to deal with one of the greatest problems today, which is the housing crisis'. (*Hansard, vol. 873, col. 91, 6th May 1974.*)

The most important provisions of the Act concern the Housing Corporation which is given wider powers to acquire and develop land for housing, to acquire securities and to raise private finance for housing schemes.

The Housing Corporation is also given extended powers to control housing associations and the Act provides extra financial help for the voluntary movement. Under the new provisions the Housing Corporation will supervise the registration of Housing Associations in consultation with the Housing Associations' Registration Advisory Committee and the disposal of publicly financed property owned by Housing Associations will require the consent of the Housing Corporation.

In its ten-year history, the Housing Corporation has so far loaned capital for over 71,000 homes in Great Britain for letting at fair rents or for co-ownership. These include new homes and existing housing which has been acquired and rehabilitated. The 1974 Act provided the Corporation with powers to borrow up to £400 million which can be increased, by order, to £750 million.

Although there are many useful provisions in the Act, it is unlikely to be sufficient to ensure that, in the face of the decline of the private rented sector the voluntary housing movement, together with local authorities, will provide a sufficient and continuing choice of accommodation.

## *Home Ownership and Mortgages*

### **THE PROBLEM**

No single group of people have been so consistently and tragically betrayed by the politicians as the first-time house purchaser. Despite all the protestations of successive governments, the likelihood that a young couple may be able to get on the lowest rung of the ladder of home ownership is becoming more and more remote. In 1963 the average family with the average industrial wage could buy an average new house with  $\frac{1}{4}$  of their income; in 1973 the average family would need to spend *half their income* to buy the same house.

The need to extend owner-occupation stems from our analysis of the preferences of people and from an examination of the real housing advantages that flow from such a policy. Firstly, there is a large untapped demand for home ownership. The number of people who would prefer to own their own homes greatly exceeds the number who are financially able, under the present system, to do so. Secondly, the result of extending home ownership will be to increase the proportion of the national income that people will be prepared to pay for their housing. This transfer will occur voluntarily, at the expense of some other form of consumption and will therefore not have the incentive-blunting and potentially inflationary effects of achieving the same by taxation. Evidence from existing mortgage holders is that people are prepared to make very considerable financial sacrifices to achieve home ownership. Building Societies are rarely obliged to foreclose on a mortgage through non-payment of interest. People are prepared to make financial sacrifices in the knowledge that eventually they will have the fundamental security of owning the roof over their heads. They will not be prepared to make the same sacrifices for rented accommodation, however pleasant and whatever the legal security of tenure. An increase in home ownership is thus likely to mean more resources going into housing than before.

The basic problem that people face in becoming owners is the initial step on to the bottom rung of the home owning ladder. Steeply rising house prices that have only recently levelled off combined with high interest rates, have produced a situation where only those with high incomes can afford mortgages. In fact the situation has got worse instead of better. The following table shows the situation in 1973—the last year for which figures are available—and compares it with 1963 and 1968:—

#### **Mortgages—The Initial Hurdle 1963-1973**

	1963	1968	1973
*Average price, new house	£3,195	£4,499	£10,136
*Average Weekly Cost of Servicing 90 per cent Mortgage on this house before tax	£4.33	£6.84	£20.84
**Average Industrial weekly earnings before tax	£16.70	£23.00	£41.52
Per cent of pre-tax earnings needed for mortgage	26%	30%	50%

Sources: \*Building Societies Association

\*\*Dept. of Employment Gazette

At the present time, it requires an income of between £3,000 and £3,500 per annum to qualify for a £7,500 mortgage which is a modest amount in

relation to house prices today. To have a 90 per cent mortgage on the average £10,000 house, you need an income of between £3,600 and £4,200 depending on the Building Society chosen. Even if a reasonable sum is included to cover wife's earnings, it is clear that at least half the population do not qualify for even this level of mortgage. Indeed, on Mr. Healey's definition, home ownership will soon be the prerogative of the rich alone.

Added to this is the problem of building up a deposit for a house, and the necessary funds to cover legal expenses, and the substantial costs of furnishing a first home. All this must be saved before the young couple can even start to think of purchase.

However, once on the ladder, people begin to have some form of protection. Barring serious misfortune or bad luck, with a period of five years at current inflation rates their incomes will have increased, probably by fifty per cent without making allowance for promotion, and even if mortgage rates increase, they should be able to manage to meet the payments with gradually less and less difficulty. Eventually they will, of course, possess a substantial capital asset.

The problem, then, is one of helping people to begin to buy a home—in other words to overcome the obstacle created by the present system of housing finance, the major part of which is in the hands of the Building Societies. The mortgage qualification rules of the Building Societies are based on their judgement of the amount of income that an individual can prudently pay out on accommodation without sowing the seeds of financial difficulty. Thus if mortgage interest rates rise, the Building Societies raise the income required for a given mortgage thereby excluding some people who might previously have qualified. Three years ago, for example, the Building Societies were prepared to grant a £7,500 mortgage on an income of £2,500, but today you would need perhaps as much as £3,500. The solution is clearly to reduce the cost of servicing a given mortgage. Then the operation of these qualifying rules would reduce the income required to qualify for the mortgage.

## **THE LABOUR AND TORY POLICIES**

In 1964, the Labour government promised to reduce the interest rate to four per cent! Instead it rose steadily. The Labour government did, however, introduce two reforms. First, they introduced the option mortgage whereby a buyer could opt for a mortgage at a lower rate of interest at the same time giving up his entitlement to tax relief on the mortgage interest. This meant that people whose incomes were so low that they did not pay the standard rate of income tax could still enjoy the same effective post-tax rate of interest as the better off. This reform is now meaningless since house prices are now so high that nobody not paying tax could possibly even contemplate buying a house.

The Tory Government of 1970-1974 did very little to tackle the problem of housing finance for owner-occupiers. It presided over a massive rise in mortgage rates, and other costs of occupation such as local authority rates. Faced with rising mortgage rates, it at one point offered a temporary subsidy to Building Societies to peg rates, and at another point ordered banks not to pay their depositors more than  $9\frac{1}{2}$  per cent so as to protect Building Societies. This had two results; banks made large profits, since they could lend the  $9\frac{1}{2}$  per cent deposits at 15-16 per cent, and, since the rules applied only to people with less than £10,000 in the bank, people who controlled larger sums of

money continued to withdraw it from Building Societies. These ineffective measures had all the signs of panic attached to them.

The current Labour government is subsidising the Building Societies in return for a promise that they will not put up their rates. This has two effects. First, Building Societies remain relatively unattractive to the investor with large sums of money, so that the inflow of funds is low and mortgages are very difficult to get. Secondly, the benefits are going to the existing owners, the great proportion of whom have already passed over the difficult early years of house purchase and are firmly established on the ownership ladder. Thus government policies threaten to lead to a contraction of the market share of Building Societies in relation to other financial institutions, to a shortage of mortgages for first-time buyers, and to a general wastage on the funds available for housing by distributing a general subsidy to existing owners.

## THE LIBERAL PROPOSALS

Instead of adopting indiscriminate policies dictated by a panic response to a serious situation, the Liberal proposals are directed at the basic problem—extending ownership to a wider section of the community by lowering the initial hurdle that must be overcome in the purchase of a home.

Our proposals do not involve subsidies, either in the form of building subsidies or in the form of subsidised interest rates. This is because, as Liberals, we believe in subsidising people and not goods. Subsidies to goods, even essential goods like housing are wasteful because the benefit goes to the users of those goods, whether they are really in need or not. People who are really in need thus get less benefit from any given social expenditure than they would under a system that subsidises them directly. Often, in an attempt to contain the wastefulness involved, the subsidies to goods are subjected to means tests with all the attendant problems of bureaucracy involved.

The Liberal response to this has been clearly set out over a number of years. We do not believe in proliferating means tests in an attempt to contain the wastefulness of general subsidies. Instead we want a guaranteed minimum income related to family circumstances, so that each family can afford to pay the market price for the goods and services it needs. This we intend to achieve through our tax credit proposals. One of the elements in this is the credit for housing which goes to both owner-occupiers with a mortgage and tenants alike, and varies with family size and the location of the home. It is through improvements in the amount and terms of these housing credits that we propose to subsidise those people who currently find it difficult to afford decent accommodation. (See page 186.)

Our proposals for more flexible mortgages do not in any way compete with, or replace our credit income tax plans or the proposed housing credits. They should be regarded as complementary. They are designed to make it possible for people who are currently tenants to pay, voluntarily, a little more for their housing in return for the security and satisfaction of becoming owners.

Just as we do not see a case for indiscriminate subsidies, equally we are opposed to manipulation of the financial system to achieve low rates for borrowers at the expense of savers. The current high interest rates are the result of high inflation. Even though it may be cold comfort to hard-pressed mortgage holders, a rate of eleven per cent means that the saver is, at present, actually losing money in real terms by lending it to the Building Societies. It is rather unlikely that savers will be prepared for much longer to part with their



money at  $7\frac{1}{2}$  per cent after tax, when inflation is running at 15 per cent per annum.

High inflation also raises land prices, since land has traditionally been regarded as a hedge against inflation. But this same inflation that has pushed up both capital and interest payments has also brought benefits to existing owners in the form of large tax-free capital gains on their property. It is, unfortunately, a gain that can only be realised on death, or sometimes on retirement.

The potential house-buyer is therefore faced with the following factors:

- to buy the house of his choice would consume a very high proportion of his present income, but
- he would probably be able to afford this in a few years time when his own wages will have been pushed up by inflation and perhaps also by promotion, and
- home ownership could give him a big asset to be cashed in on retirement when he could move to a smaller house or one in a less expensive area.

Faced with this problem, the Liberal Party has devised a number of new proposals for house finance, including:

- an index-linked mortgage
- a low-start mortgage
- an equity mortgage

These schemes are described in detail below. They involve major changes in the current attitude towards housing finance, and in particular a recognition of the disastrous effects that inflation has had in strengthening the barriers to home ownership.

At the same time, it must be made clear that the Liberal Party does not wish to abolish the existing system. Our proposals are merely to widen the choice of methods of finance available to first-time buyers. We do not favour any one of these schemes in particular. Each one is likely to suit different groups of people with different financial expectations. It will therefore be important to strengthen the advisory services available to ensure that house purchasers are able to select the scheme best suited to their particular circumstances.

## **1 THE INDEX-LINKED MORTGAGE**

The purpose of the index-linked mortgage is to take the question of house purchase out of the inflationary environment in which it now exists. The purchaser would pay a very low rate of interest initially, probably amounting to as little as  $2\frac{1}{2}$  per cent, but both his capital repayments and his interest charges would rise in line with increases in the cost-of-living index. Mortgages would be issued for a fixed period of years, and, until the end of that period the buyer would pay an increased amount each year as the cost of living rose. Since it is probable that over the long run the buyer's income would increase at least as fast as the cost of living, and probably faster, he would be able to afford the increased payments.

A scheme like this would be particularly valuable in extending home ownership to people whose incomes rise rapidly to a certain point and remain roughly at this level in relation to other incomes and prices for the bulk of their working life, before tailing off prior to retirement. This pattern is, in fact, typical of much of industry. Under the index-linked mortgage scheme, such people would be faced with paying out a more or less constant proportion of their income on housing.

The impact of such a scheme in terms of the initial outgoings on house purchase would be dramatic. The following tables illustrate this point. In these examples, and in the others which follow, we have made two sets of assumptions about inflation. One case is a high inflation scenario. In this incomes rise by twelve per cent per annum, and prices by ten per cent. The interest rate is eleven per cent—barely preserving the saver's capital in real terms before tax. The second set of assumptions are more optimistic on inflation. Incomes rise by nine per cent and prices by seven per cent. The interest rate is eight per cent. These figures are not forecasts of probable inflation—they are merely illustrative. But it is worth mentioning that at the time of writing prices are rising at an annual rate of fifteen per cent, and the greater the rate of inflation the more necessary and beneficial our proposals become. The difference between the rate of price and wage inflation reflects the long-run increase in national productivity, slightly less rapidly than in the past twenty-five years.

In these tables, and in the others which follow, our calculations are based on a house valued at £8,500 on which a mortgage of £7,500 is granted. The purchaser is considered to be on the average industrial earnings in 1973 of £41.52. These are not extreme assumptions. It is virtually impossible to build a house for less than £7,000 anywhere, and in the South-East £8,500 would be pretty close to the lowest price available.

#### Index-Linked Mortgage versus Present Mortgage System

(Comparison of weekly income and mortgage payments on loan of £7,500 over twenty-five years.)

Year	Income	High Inflation		Medium Inflation		
		Present Mortgage	Index-Linked Mortgage	Income	Present Mortgage	Index-Linked Mortgage
1	41.52	17.12	7.84	41.52	13.51	7.84
2	46.50	17.12	8.62	45.25	13.51	8.39
3	52.08	17.12	9.48	49.33	13.51	8.98
4	58.33	17.12	10.44	53.77	13.51	9.60
5	65.33	17.12	11.48	58.61	13.51	10.28
6	73.17	17.12	12.63	63.88	13.51	11.00
7	81.95	17.12	13.89	69.63	13.51	11.77
8	91.79	17.12	15.28	75.90	13.51	12.59
9	102.80	17.12	16.81	82.73	13.51	13.47
10	115.14	17.12	18.49	90.17	13.51	14.41
11	128.95	17.12	20.33	98.29	13.51	15.42
12	144.42	17.12	22.37	107.13	13.51	16.50
etc.						

It will be seen that the initial payments under this scheme are substantially less than those under the present scheme. This means that an £8,500 house can be afforded by a much greater number of people.

A variant on the index-linked scheme is one which allows the purchaser to make higher levels of capital repayments in the first few years when perhaps he and his wife are both working. These higher capital repayments mean that the cost of servicing the mortgage rises less rapidly than the increase in the cost of living in the early years. This reduces the burden in later years when the couple are starting a family. An example is given in the following table:

**Index-Linked Mortgage (High Start) versus Present System**

(Comparison of weekly income and mortgage payments on loan of £7,500 over twenty-five years with accelerated repayment of £1,000 over five years under indexed scheme.)

Year	Income	High Inflation		Income	Medium Inflation	
		Present Mortgage	Index-Linked Mortgage		Present Mortgage	Index-Linked Mortgage
1	41.52	17.12	10.93	41.52	13.51	10.93
2	46.50	17.12	12.00	45.25	13.51	11.70
3	52.08	17.12	13.23	49.33	13.51	12.51
4	58.33	17.12	14.55	53.77	13.51	13.39
5	65.33	17.12	16.00	58.61	13.51	14.33
6	73.17	17.12	10.94	63.88	13.51	9.52
7	81.95	17.12	12.03	69.63	13.51	10.19
8	91.79	17.12	13.24	75.90	13.51	10.90
9	102.80	17.12	14.56	82.73	13.51	11.67
10	115.14	17.12	16.02	90.17	13.51	12.48
11	128.95	17.12	17.62	98.29	13.51	13.36
12	144.42	17.12	19.38	107.13	13.51	14.29
etc.						

**2 THE LOW-START MORTGAGE**

The low-start mortgage is designed to assist people to buy houses where their current incomes are low, but they have substantial prospects of increases later in their careers. Such people are often on fixed scales of salary in careers where rewards are relatively poor initially, but very good later on. People undergoing specific periods of training who on qualification will get well-paid jobs would find these mortgages particularly helpful.

Under the low-start mortgage, the borrower pays a rate of interest which is less than the market rate in the first few years, gradually increasing payments until he is paying the market rate. The underpayment of interest in the early years is added on to the capital sum to be repaid.

The following table gives an example of how this type of mortgage compares with the present arrangements. As with our earlier example, we take the purchase of an £8,500 house with a £7,500 mortgage. The initial payments are arbitrarily limited; they could be lower still at the cost of higher eventual repayments.

**Low-Start Mortgage versus Present Mortgage System**

(Comparison of weekly income and mortgage payments on loan of £7,500 over twenty-five years)

Year	Income	High Inflation		Income	Medium Inflation	
		Present Mortgage	Low-Start Mortgage		Present Mortgage	Low-Start Mortgage
1	41.52	17.12	12.00	41.52	13.51	9.00
2	46.50	17.12	13.00	45.25	13.51	9.75
3	52.08	17.12	14.00	49.33	13.51	10.50
4	58.33	17.12	15.00	53.77	13.51	11.25
5	65.33	17.12	16.00	58.61	13.51	12.00
6	73.17	17.12	19.72	63.88	13.51	15.38
7	81.95	17.12	19.72	69.63	13.51	15.38
8	91.79	17.12	19.72	75.90	13.51	15.38
9	102.80	17.12	19.72	82.73	13.51	15.38
10	115.14	17.12	19.72	90.17	13.51	15.38
11	128.95	17.12	19.72	98.29	13.51	15.38
12	144.42	17.12	19.72	107.13	13.51	15.38
etc.						

### 3 THE EQUITY MORTGAGE

The third of our proposals is rather different from the first two, both of which rely on a person being confident of his or her future prospects. In the case of the index-linked mortgage the borrower needs to be confident that his income will more or less keep pace with the rise in prices, while in the case of the low-start mortgage he needs to be in a career with a fairly clear promotional structure. Many people do not fall into either of these categories. Moreover, as we pointed out earlier, house purchase involves making substantial capital gains. Some people would be prepared to forego part of these eventual gains, if it became easier to buy their house as a result. To meet these needs we have therefore developed the equity mortgage scheme.

The basic idea behind the scheme is simple. A person buys part of his house on an ordinary mortgage, and the rest of the money is provided on a grant basis free of interest. In return for this the borrower is obliged to surrender part of the capital gain on the property when it is eventually sold.

Let us take an example. A person buys an £8,500 house into which he puts £1,000 of his own money. The remaining £7,500 is provided by a £3,750 mortgage at the market rate of interest and £3,750 by way of grant—the so-called 'equity' contribution of the lender. The lender thus has an interest of approximately 44 per cent in the house. Thus when the house is sold or transferred 44 per cent has to be surrendered to the lender.

The following table compares this scheme with the present mortgage system and it embodies the same assumptions as our previous examples. It shows the results if the house is sold after ten years for a price which is based on houses increasing in value at the same rate as the general rise in prices.

#### Equity Mortgage versus Present Mortgage System

(Comparison of weekly income and mortgage payments, and eventual capital gain on £8,500 house with a £7,500 mortgage)

Year	Income	High Inflation		Income	Medium Inflation	
		Present Mortgage	Equity Mortgage		Present Mortgage	Equity Mortgage
1	41.52	17.12	8.56	41.52	13.51	6.76
2	46.50	17.12	8.56	45.25	13.51	6.76
3	52.08	17.12	8.56	49.33	13.51	6.76
4	58.33	17.12	8.56	53.77	13.51	6.76
5	65.33	17.12	8.56	58.61	13.51	6.76
6	73.17	17.12	8.56	63.88	13.51	6.76
7	81.95	17.12	8.56	69.63	13.51	6.76
8	91.79	17.12	8.56	75.90	13.51	6.76
9	102.80	17.12	8.56	82.73	13.51	6.76
10	115.14	17.12	8.56	90.17	13.51	6.76
Borrower's share of sale price		£22,046	£12,346 (56%)		£16,720	£9,363 (56%)
Outstanding Mortgage		£6,410	£3,205		£5,998	£2,999
Borrower's net Receipts		£15,636	£9,141		£10,722	£6,364
Borrower's Deposit		£1,000	£1,000		£1,000	£1,000
Capital Gain		£14,636	£8,141		£9,722	£5,364

NOTE: Capital Gain can be used for deposit on new house.

It will be seen that the payments throughout the lifetime of the mortgage are half what they would be under the present system, but that the borrower's capital gain is less than under the present system.

This proposal is slightly more complicated than the other two schemes because there would have to be provisions for the borrower to buy out the equity interest of the lender if he wished. In order to prevent abuse of this there would need to be a rule that the right to resell or to buy out the lender could only be exercised after the mortgage had been running three years. This would prevent borrowers taking advantage of temporary falls in house prices at the expense of the lenders. Apart from this, the borrower would have the full rights of any house owner. There would also have to be an independent arbitration service to settle possible valuation disputes.

## **IMPLEMENTATION OF THE LIBERAL PROPOSALS**

As Liberals, we fail to see why people wishing to purchase houses should not have the choice of a much wider range of possible methods of financing their house. The financial prospects of people vary enormously. Some people are at their wealthiest in relative terms when they are young, others when they are old. There is no reason why the method of finance that suits the cash flow pattern of a middle management executive should necessarily suit that of the shop floor worker, the junior doctor, or the local government officer. Consequently our aim is to add all these new methods of house purchase to the traditional method of the Building Society mortgage.

### **The Present Situation**

There are no major technical difficulties involved in implementing the Liberal proposals; nor is it a question of the State being asked to provide massive new subsidies or to undertake other expenditures. The obstacles are the lack of imagination and courage on the part of financial institutions and the indifference and possibly hostility of government.

For example, there is no reason why a savings bond, the capital value of which would increase automatically with the cost of living, should not be issued. Because the capital would be fully protected, the rate of interest on this bond would be very low indeed. Savers would welcome such a scheme. The Page Committee on National Savings recently reported favourably on the feasibility of this form of savings bond, and rejected the opposing arguments put up by existing financial interests. It would be necessary to amend capital gains tax legislation so that the increase in the capital value of the bond to compensate for inflation was not taxed; but this is surely only common sense and justice since the apparent gain is purely in monetary terms. If inflation continues at the present high rate, the capital gains tax is bound to have to be modified to exclude purely monetary gains—perhaps in return for a higher tax on real gains.

The low-start scheme does not even require this modest legislative action. It can be implemented at once, and indeed has been by some of the smaller and more progressive Building Societies. But the efforts have been half-hearted. The problem here is that the Building Societies could have potential cash flow problems in the early years of the mortgage. This is a transitional problem and merely involves a higher level of working capital. This would be a far more productive way of spending the present government's subsidies than scattering them indiscriminately.

Although the equity mortgage scheme will require slightly more legislative changes than the other two, the work involved is not particularly great, very little government expenditure is involved, and consequently no great obstacles or delays can be foreseen.

### **The Building Societies and the Housing Corporation**

The natural organisations to administer schemes of this kind are the Building Societies who have a considerable existing expertise in the field of housing finance. However, to date they have not shown themselves particularly imaginative in coming to terms with the problems posed by inflation in the housing field, and they might wish to continue to operate on their present basis.

The Liberal attitude to the Building Societies is, therefore, to encourage them to implement these proposals, but to be fully prepared to make alternative arrangements if the Societies prefer to carry on in their traditional way. There would, of course, be no question of nationalising the Building Societies or subjecting them to other forms of state control or pressure. They would be entirely free to make their own decision.

If necessary we would enlarge the functions of the Housing Corporation so that it was authorised to borrow from individuals and institutions and lend it for house purchase. It would also operate compulsory insurance schemes into which each borrower would have to enter to insure his liability against the contingency of death, injury, illness or chronic unemployment that might affect his ability to earn and thus repay his debt. The Housing Corporation would raise its money for these new activities in the open market, but in order to launch the scheme the government would put up the initial capital.

The bill enlarging the Housing Corporation would also authorise and make financial provision for local authorities to operate these schemes just as they are now permitted to operate conventional mortgage schemes. These provisions were omitted from the powers given to the Housing Corporation under the 1974 Housing Act.

### **The Savers**

The Housing Corporation and the Building Societies would need to make available new savings media to finance the new mortgage scheme. These would represent a new deal for savers and would also attract into housing finance funds not currently employed in this sector.

The index-linked mortgage would be financed, as mentioned above, by the issue of a new savings bond which would carry very little if any interest, but would be guaranteed against rises in the cost of living.

The low-start mortgage would require no special financing since it is simply a variant of existing mortgage schemes.

The equity mortgage would be financed by a bond which carried a fixed rate of interest roughly half the market rate, but also entitled the holders to a capital dividend. The bond, a new series of which would be issued quarterly, would probably be for seven years and it would be marketable, or redeemable at par. The capital dividends would build up over the life of the bond so that there would be an incentive to hold on to it until redemption. The equity mortgage could also be financed by Life Assurance funds. These funds would be an incentive to hold on to it until redemption. These funds would thus have a guaranteed income, combined with some protection against rising inflation which might prove to be an attractive combination of features. The equity

element in this could attract investors who do not currently provide any funds for housing finance.

The funds for each mortgage scheme would be kept separate, and to assist in the launching of the scheme the government could provide a guarantee against losses for a limited period—perhaps the first five years.

### **The Supply of Housing**

In implementing these proposals, great attention must be paid to the constraints arising from the problem of housing supply. If, for example, our proposals were to be introduced suddenly and on a massive scale, the price of housing particularly at the lower-priced end of the market would simply rise to choke off the demand.

For this reason, our intention is to control the volume of finance available under these schemes in accordance with the state of the construction industry at any point in time. For example, when, as at present, the construction industry is unable to sell its completed houses and is cutting back its building programme, we would allow the volume of funds available under this scheme to increase. Likewise, in boom periods we would impose restraints on the finance available in these new forms. This policy would be aimed at stabilising the level of effective demand for new houses. This is essential if productivity in the construction industry is to rise. The cycle of 'boom and bust' which has plagued the construction industry for the last twenty years must be ended if the housing problem is ever to be solved. Appropriate management of our proposals will help at least to dampen down these cycles, and increase the level of confidence and stability in the industry thus encouraging capital investment in the industry and the growth of a stable workforce.

But it is not the intention of our proposals that they should apply merely to new houses. They will enable many tenants to purchase their own homes if they wish. Legislative action granting to tenants of long standing the right to purchase their own homes would, of course, represent a once-for-all increase in supply of owner-occupied houses, and finance could be made available for this purpose irrespective of the state of the construction industry.

### ***Housing Finance—Housing Credits***

The Liberal Party approves the principle of economic rents offset for those on low incomes by Government benefits. For this reason the Liberal Parliamentary Party supported, with major reservations, the White Paper 'Fair Deal for Housing'. They felt unable to support the proposals set out in the Housing Finance Bill, however, and consequently voted against it. These proposals, eventually passed into law, involve means-tested rebates on a colossal scale. Liberals not only object to the number of means-tested benefits on grounds of principle, we also appreciate that the take-up of means-tested benefits by those eligible is low. We advocate that the offset against economic rents should be through a housing credit as part of the tax credit system.

Although the Housing Finance Act now provides for rent allowances (rebates) to private tenants—hitherto the only group not entitled to financial aid, there are still considerable discrepancies in the amount of financial help offered to various types of householder, which invariably discriminate in favour of the rich. Hence Liberals wish to see all tax reliefs on mortgage interest, rebates and allowances to tenants abolished in favour of a system of fixed housing allowances—or credits—which should be treated as part of the

recipient's taxable income. No one would be entitled to more than one allowance, payable on their principal residence. (For details see chapter on Social Security.)

## LAND

By common consent, the problems of land policy—concerning land supply, development values and land use—are among the most critical social and political issues of the 1970's.

Liberals have long advocated a policy of land-value taxation as the most effective method of tackling those problems.

The Conservative and Labour Parties, however, have developed very different approaches:

### 1 THE CONSERVATIVE APPROACH

The last Tory Government placed the main emphasis of their land policy on increasing the available supply of building land.

They gave top priority to inducing local authorities to release more land for private housebuilding (*v. Gov. Circular 10/70 December 1970*). Local planning authorities were urged to grant more planning permissions for housing, and to identify land suitable for an area's housebuilding needs for at least the next five years.

In addition to this, loans were granted to authorities in the main pressure areas to enable them to assemble and service land for development by private housebuilders (in April 1972).

The Tory approach correctly recognised the fact that a major cause of high land prices is the limited supply of land in certain locations. And it correctly stressed the imperative need to increase the available supply of building land in the right places.

But this diagnosis was valid only up to a point. For it overlooked the fact that land prices have been rising fast even in regions where there is no shortage of development land. It failed, too, to emphasise another major cause of the recent phenomenal rises in land values—namely, the inelastic supply of housing in the face of rising demand.

The Conservatives by pinning their hopes on the central strategy of increasing land supply, presumably considered that the problem of windfall profits based on scarcity values would in due course be solved by the interplay of market forces.

However, in January 1973, the Conservative Government in their programme for Stage 2 of the counter-inflation policy at last announced their intention 'to reduce the extent to which it is possible for people to make disproportionately high profits from transactions in land'. (*The Programme for Controlling Inflation: the Second Stage, January 1973*.)

The White Paper of April 1973, 'Widening the Choice', outlines the Government's proposals for a land-hoarding charge. But as a means of penalising any unjustifiable delay in developing land, such a measure appears inferior to land-value taxation for at least four major reasons:

- i The problem of land-hoarding begins at the time land is *zoned* for development, not just when planning permission is granted.
- ii For this reason the charge (directed at land with planning permission) will not really affect landowners, who will continue to reap the real windfall gains. Instead, the burden will be borne largely by builders, who already



have a number of obstacles to negotiate—delays by planning departments; delays by councils in completing infrastructure, availability of finance, labour, and materials, and so on.

- iii The four-year permitted completion period between the granting of outline planning permission and the operation of the charge looks far too generous a time-span.
- iv Since the Inland Revenue will be responsible for supervising and collecting the charge, there is little likelihood that public revenue derived from the enhanced value of land in an area will be returned to the people of that area.

On all four levels, land-value taxation appears a more effective fiscal measure, and a policy instrument more attuned to one of the major aims of a radical land policy—namely, increasing the available supply of building land in the right places.

The most serious defect of Conservative land policy has been its inability to face up to the whole problem of development values. The question of whether increased land values—which result from community decisions and actions, such as granting of planning permission and the provision of water, roads, sewerage, etc.—should be channelled into private or public revenue is hardly ever considered in the Tory analysis.

There was consequently no serious attempt by the Conservative Government to return a proportion of increased development values to the community by which they were generated. This was clearly indicated in their major attempt to tackle profits from land development; the announcement on 17th December 1973 of a tax on the sale of development land, which would have the same effect as other 'betterment levies' of drying up, not increasing the availability of building land and encouraging land hoarding.

## 2 THE LABOUR APPROACH

The Labour Party favour a much more direct approach to land problems. However, they have not entirely abandoned fiscal measures, for the March Budget announced the continuation of Conservative proposals to tax capital gains made from the disposal of development land and buildings. This is surprising since Labour's two previous attempts to control the land market—the Attlee Government's 1947 Town and Country Planning Act, and the 1967 Land Commission—were largely unsuccessful. The 1947 Act, by imposing a 100 per cent betterment levy, stifled landowners' incentive to sell, and so virtually dried up the supply of land. The 1967 Land Commission, by imposing a 40 per cent betterment levy, impeded the supply of land to builders, and did nothing to stabilise land prices.

The Labour Party seem to view remedies for the land crisis in terms of narrow, clear-cut traditional policies, a betterment levy or else nationalisation. They have failed to consider seriously the claims of land-value taxation (and have not really done so since Gaitskell raised the possibilities of that policy back in 1960).

Instead, the Labour Party are advocating a policy of nationalisation of development land.

The first and most serious objection to such a policy is that it would be enormously expensive. It has been estimated, for instance, that the cost of acquiring the 400,000 or so acres required in South-East England alone would be at least £4,000 million. (*Hansard, 6th February 1973.*)

Secondly, the policy would involve an extensive and costly bureaucracy for the purposes of administration, land transactions, valuation, compensation etc.

Thirdly, the policy has inherent illiberal tendencies in so far as it would involve compulsory purchase on a massive scale.

Fourthly, the policy hinges on a blurred distinction between development land and other land—a distinction that raises all sorts of practical problems.

There are also a number of very problematic practical questions about the basis on which Labour's policy would be implemented.

Firstly, how will existing owners of land, properties, and farms be informed whether their property comes into the package of land due to be developed?

Secondly, what will happen to the land when a Labour Government has nationalised it? Is it to be sold to those who want to develop premises on it?

Thirdly, what will be the position of people who buy properties on a piece of nationalised land and then wish to resell it?

And so on, and so on.

The basic assumptions underlying Labour's policy are fundamentally mistaken. For it is the rise in house prices which has caused the recent rise in land prices—not the other way round. The demand for land is a function of the demand for housing: land is expensive because housing is expensive. Proposals, then, like the nationalisation of development land which seek to reduce artificially the cost of land, are really tackling the problem at the wrong end.

Fourthly, the nationalisation of *all* land has recently been advocated by certain members of the Labour Party. Such a policy would make the State the landholder and leaseholder for every office, every house, and every factory. It would invest it with the responsibility of managing all agricultural land.

In addition to these massive administrative problems, this policy would be even more costly than Labour's current official policy directed at development land.

## CONCLUSIONS

The indirect approach favoured by the Tories is based upon the aim of increasing the available supply of building land. This is a sound strategy, but also a limited one. For it fails to get to grips with the problems of land speculation, development values, and the planning of land use.

The direct approach favoured by the Labour Party proceeds from the dubious assumption that high land prices cause high house prices, and from the mistaken strategy of seeking artificially to reduce the cost of land. It does, however, face up to the problems of speculation, development values, and land use. The trouble is that the nationalisation solution that is offered is marred by its enormous costliness and by its bureaucratic and illiberal tendencies.

## 3 LIBERAL LAND POLICY—SITE VALUE RATING

Over the last few years, soaring land prices and rocketing house prices have become critical social problems. In the last decade, private sector housing land prices have risen by an average of at least 30 per cent a year. More recently, in 1972, land prices rose by the staggering figure of 92½ per cent.

House prices, too, have been climbing to record levels with the average price of new houses rising by £4,649 or 93 per cent in three years (June 1970–June 1973).

## **Aims of Land Policy**

This is the context in which Liberal land policy assumes its importance. It is designed to achieve at least three major aims:

- i To maximise the available supply of development land.
- ii To return to the community a large proportion of increased development values.
- iii To achieve more effective planning of land use.

## **Site Value Rating**

For over 60 years, since Lloyd George's 1909 Budget, Liberals have advocated the principle of site value rating as the most effective means of tackling the problems of land supply, development values, and land use.

The Liberal approach has aimed to solve those problems by changing the situation in which they arise rather than by acquiring ownership rights through nationalisation.

The central purpose of site value rating is to levy rates on the full development value of land. The imputed value of that land would be based on its location, topography and potential use.

In practice, this would involve a system whereby the annual rental value of a land site replaces buildings and improvements as the basis of rating assessments. Sites would be valued as if they were for sale on the open market, cleared of all buildings, and ready for development. Vacant sites would be rated according to their development potential, with assessments reflecting the value of the development most likely to take place.

Site-value rating operates, in various forms, in Denmark, Australia, New Zealand, and parts of the U.S.A.

The 1972 Liberal Assembly specified the following method by which site value rating would be implemented:

- i All structure plans and local plans in respect of residential developers must have dates by which it is intended that development must be undertaken.
- ii Such residentially zoned land should become liable, as from the first date designated for development, for taxation, using site-value rating, on a sliding scale with zero rating for the first year to 100 per cent rating for the third and subsequent years that it is unreasonably undeveloped.
- iii These proposals are intended to apply to land in public and private ownership.

The 1973 Assembly advocated the eventual extension of site value rating to all land. This could be done at different rates according to the type of land—for example, agricultural land in productive use would be zero rated.

## **Advantages of Site-Value Rating**

These can be assessed on two levels:

- 1 *As a system of local taxation* (in the form of site-value rating) it would:
  - a Replace the present rating system which penalises those who improve their property.
  - b Provide fresh and additional sources of finance for local authorities.
  - c Entail substantial reductions in the domestic rate bill.
  - d Involve no rates or taxes on improvements to property.
- 2 *As a system of improving land use* it would:
  - a Effectively check land-hoarding and speed up the supply of building land.
  - b Help to stabilise the rise in land prices.

c Return a large proportion of increased development values to the community.

Site-value rating is designed to achieve the aims of a radical land policy by influencing land supply through fiscal means, and by changing the situation in which problems of development values arise.

Such a policy adheres to liberal principles by influencing individual choice through fiscal measures rather than compulsion. It appears as a coherent alternative both to the Tories' 'laissez faire' impotence and to Labour's costly and bureaucratic plans for land nationalisation.

#### **Notes on the long-term effect of site-value rating on ratepayers**

The *Whitstable Pilot Survey* carried out by the Rating and Valuation Society in 1964 (and repeated in 1973) found that privately owned land scheduled for future building development, which is not rated at present, produced a total rateable value of £98,600 or 15.4 per cent of the total revenue calculated through the site-value system.

The Whitstable Valuation List showed the following reductions for householders:

Existing Method		Site-value Method	% Reduction in Rates
£342,850	Houses	£180,200	41%
£179,050	Bungalows	£90,200	43%
£14,200	Flats and Maisonnets	£5,100	59%

Most of this lost revenue would be made up by levying of rates on building sites, but it is true that at any given penny rate revenue calculated in this way would be reduced by 12 per cent. Looked at from the other direction it would be possible to increase the present penny rate by up to 47 per cent *before any extra financial burden* was put on domestic ratepayers. The total effect of doing this would be to increase revenue by 35 per cent; in 1972 this would have meant an extra £800 million and could have allowed either extra public expenditure or a reduction in the standard rate of income tax by 3 per cent.

## APPENDIX. THE COST OF HOME OWNERSHIP

**Table 1. Mortgage Interest Rate Increases**

Labour	(1) 6% to 6½% in February	1965	
1964—1970	(2) 6½% to 7½% in May	1966	
	(3) 7½% to 7¾% in May	1968	
	(4) 7¾% to 8½% in April	1969	(an increase of 2½% over 5 years)
Conservatives	(5) 8.5% to 8.0% in December	1971	
1970-73	(6) 8.0% to 8.5% in October	1972	
	(7) 8.5% to 9.5% in May	1973	
	(8) 9.5% to 10% in August	1973	
	(9) 10% to 11% in September	1973	(an increase of 2½% over 3½ years)

In March 1974 the Building Societies agreed to stabilise the mortgage interest rate in return for a loan of £500 million from the new Labour Government.

(Source: Official Statements)

**Table 2. Index of the Average Price of New Dwellings on which Mortgages were Approved by Building Societies: Great Britain**

	1970 = 100	Per cent increase over previous quarter
1970	100	
1971	115	
1972	152	
1973	207	
1973 2nd quarter	206	5
3rd quarter	212	3
4th quarter	217	2½
1974 1st quarter	217	—
2nd quarter	216	—½

(Source: Department of Environment)

**Table 3 Building societies**  
**Shares and deposits, mortgages and investments**

£ million

	Shares and deposits Interest				Net increase in shares and deposits out- standing	Commit- ments for advances at end of period	New commit- ments	Mortgages Repayments			Net invest- ments	Liquidity ratio	
	Receipts of principal	With- drawals	Credited to accounts	Paid out				Ad- vances	Principal/Interest	Net advances of principal			
	1	2	3	4	5	6	7	8	9	10	11	12	13
1968	2,059	1,465	173	137	767	323	1,480	1,587	727	475	860	44	15.9
1969	2,395	1,721	221	155	895	347	1,580	1,556	774	569	782	179	16.1
1970	3,080	1,867	277	176	1,490	514	2,188	2,021	933	686	1,088	482	18.4
1971	4,091	2,391	334	190	2,034	769	3,013	2,758	1,158	803	1,600	505	19.1
1972	5,296	3,495	392	219	2,193	922	3,802	3,649	1,434	926	2,215	40	16.5
1973	6,023	4,541	590	315	2,072	636	3,161	3,447	1,604	1,220	1,843	288	16.3

**Table 4. Results from the 5% Sample Survey of New Building Society Mortgages Completed: United Kingdom**

**(a) All mortgages**

		Average dwelling price	Average advance	Average recorded income of borrowers	Ratios of averages			Percentages of mortgages which are	
		£	£	£	Advance ÷ price %	Price ÷ income	Advance ÷ income	Option mortgages	To previous non-owner occupiers
1970		4,975	3,591	1,928	72.2	2.58	1.86	6.5	62.5
1971		5,632	4,104	2,187	72.9	2.58	1.88	8.7	61.9
1972		7,374	5,195	2,474	70.5	2.98	2.10	20.6	59.5
1973		9,942	6,181	2,923	62.2	3.40	2.11	1.3	53.5
1974	1st quarter	10,871	6,479	3,227	59.6	3.37	2.01	17.2	53.1
	2nd quarter	10,796	6,453	3,315	59.8	3.26	1.95	17.2	53.4

**(b) Mortgages on new dwellings and on other dwellings**

		New dwellings			Other dwellings		
		Average dwelling price	Average advance	Average recorded income of borrowers	Average dwelling price	Average advance	Average recorded income of borrowers
		£	£	£	£	£	£
1970		5,051	3,783	1,904	4,964	3,518	1,937
1971		5,609	4,263	2,120	5,640	4,043	2,213
1972		6,988	5,160	2,363	7,518	5,208	2,516
1973		9,683	6,304	2,848	10,043	6,130	2,953
1974	1st quarter	10,872	6,682	3,186	10,871	6,404	3,243
	2nd quarter	11,030	6,781	3,254	10,702	6,322	3,339

**(c) By previous tenure of borrower**

		Borrowers previously not owner-occupiers			Borrowers previously owner-occupiers		
1970		4,330	3,464	1,766	5,837	3,854	2,168
1971		4,838	3,914	1,996	6,666	4,407	2,466
1972		6,085	4,954	2,281	8,965	5,538	2,748
1973		7,908	6,115	2,734	11,900	6,273	3,118
1974	1st quarter	8,921	6,462	3,062	13,136	6,512	3,444
	2nd quarter	8,865	6,376	3,144	13,036	6,557	3,528

1 This series is for Great Britain  
(Source: D.O.E. Statistics.)

**Table 5 Regional Results from the 5% Sample Survey of Building Society Mortgages**

		Northern			Yorkshire and Humberside			East Midlands		
		Average dwelling price	Average advance	Average recorded income of borrowers	Average dwelling price	Average advance	Average recorded income of borrowers	Average dwelling price	Average advance	Average recorded income of borrowers
1970		4,004	3,029	1,718	3,580	2,777	1,610	4,000	3,030	1,700
1971		4,399	3,351	1,903	3,994	3,110	1,827	4,435	3,392	1,825
1972		5,477	4,268	2,118	4,826	3,771	1,993	5,692	4,269	2,089
1973		7,557	5,228	2,512	6,996	4,806	2,431	8,238	5,431	2,617
1974	1st Quarter	8,477	5,612	2,780	7,880	5,360	2,817	8,895	5,493	2,803
	2nd Quarter	8,340	5,547	2,948	8,383	5,108	2,911	9,276	5,666	2,995
		East Anglia			Greater London			South East (excluding Greater London)		
1970		4,515	3,316	1,818	6,882	4,688	2,410	6,222	4,320	2,196
1971		4,968	3,695	1,968	7,937	5,521	2,823	7,277	5,039	2,558
1972		7,031	4,940	2,376	11,113	7,462	3,459	9,913	6,488	2,908
1973		9,849	6,002	2,848	14,447	8,618	4,026	13,151	7,497	3,423
1974	1st Quarter	10,798	6,378	3,231	15,214	8,572	4,191	13,904	7,621	3,580
	2nd Quarter	10,252	6,152	3,344	14,722	8,676	4,509	13,743	7,530	3,763

		South West			West Midlands			North West		
1970		4,853	3,403	1,824	4,490	3,364	1,800	4,178	3,162	1,764
1971		5,544	3,965	2,095	4,926	3,760	1,999	4,484	3,467	1,939
1972		7,712	5,154	2,427	6,232	4,624	2,201	5,702	4,347	2,213
1973		10,847	6,145	2,805	8,775	5,663	2,633	7,818	5,312	2,612
1974	1st Quarter	11,480	6,405	3,038	10,183	6,226	3,175	8,751	5,601	2,969
	2nd Quarter	11,297	6,518	3,219	9,738	6,052	2,984	8,382	5,523	2,929
		Wales			Scotland			Northern Ireland		
1970		4,434	3,259	1,875	5,002	3,596	2,017	4,387	3,293	1,810
1971		4,803	3,674	2,095	5,407	3,996	2,249	4,650	3,587	1,937
1972		5,935	4,498	2,290	6,233	4,732	2,376	4,934	3,825	2,121
1973		8,382	5,544	2,752	8,595	5,875	2,869	6,181	4,516	2,520
1974	1st Quarter	9,166	5,847	2,845	9,731	6,203	3,324	8,521	5,795	3,511
	2nd Quarter	8,600	5,800	3,033	9,838	6,207	3,178	8,055	5,631	2,917



**Table 6. House Improvement Grants  
Great Britain**

		Grants approved							Thousands Grants paid to private owners and housing associations			
		For local authorities			For private owners and housing associations			For all owners				
		Discretionary	Standard	Total	Discretionary	Standard and Special	Total	Total	Of which in D & I areas <sup>1</sup>	Discretionary <sup>2</sup>	Standard and Special	Total
1969		33.5	6.9	40.4	29.6	53.8	83.5	123.9		26.1	51.5	77.5
1970		50.9	8.5	59.5	58.4	61.1	120.5	180.0		33.3	48.6	81.9
1971		85.1	3.9	89.0	85.7	57.8	143.5	232.5		52.6	50.2	102.8
1972		132.3	4.5	136.8	173.7	57.5	231.2	368.1	234.1	95.6	50.7	146.3
1973		183.1	4.9	188.1	223.7	41.7	265.4	453.4	329.1	158.0	41.7	199.6
1974	1st Quarter	37.3	0.5	37.8	59.5	9.0	68.5	106.3	77.8	49.2	8.9	58.2
	2nd quarter (P)	29.9	0.4	30.3	41.3	6.7	48.1	78.3	*	*	*	*

Note: Discretionary grants are for improvement or conversions to a prescribed standard. Standard grants are for the installation of one or more missing amenities. Special grants are for the provision of standard amenities in houses in multiple occupation in England and Wales.

1. Number of grants (included in the totals) in respect of Development and Intermediate areas; from April 1972, including those areas added on 22 March 1972.
2. Grants paid direct to some housing associations are excluded. For Scotland prior to 3rd quarter 1970 no figures were available and the number of grants approved was included instead.

(P) Provisional Estimates.

\* Estimates not yet available.

## 11 EDUCATION

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### **LIBERAL POLICY AIMS**

- 1 The full implementation of the Plowden Report, paying special attention to the need for nursery education and the urgent reduction in the size of primary school classes.
  - 2 The acceleration of secondary reorganization on non-selective lines allowing local authorities maximum flexibility within minimum standards to adapt their system to local conditions.
  - 3 A reorganisation of curricula and school institutions to provide a more realistic last three years education for non-academic children.
  - 4 One nationally administered entrance examination for university.
  - 5 The abolition of the binary system of further education and the closer integration of Universities, Polytechnics and Colleges of Education.
  - 6 The establishment of Community Colleges open to all age groups, with the ultimate aim of providing further education to all who desire it.
  - 7 The abolition of parental contributions and the incorporation of all grants within a tax-credit system.
- 

### **THE PRESENT SITUATION**

#### **General Structure**

There is no single British system of education. The Scottish system in particular is rather different from the system in England. There are differences too in that of Northern Ireland. This reflects the diverse cultural and historical traditions of the peoples comprising the United Kingdom and lends point to the Liberal policy of greater regional autonomy, if these cultural needs are to be adequately met.

The only administrative arrangement covering the United Kingdom as a whole is the University Grants Committee. Although it distributes all government finance to universities, the Scottish universities have a different tradition from the English and some distinctive characteristics. The University Grants Committee reports to the Secretary of State for Education and Science and receives its government finance through him. He is also responsible for further education in Wales. For the rest of education his authority is limited to England. The Secretary of State for Wales is responsible for all except university and further education in Wales. The Secretary of State for Scotland for all except universities in Scotland. In Northern Ireland, a member of the executive inherited from a Minister in the former Stormont Government a role similar to that of the Secretary of State for Scotland as far as education was concerned.

#### **Local Government Reorganisation Changes**

Under the new system of local government, the county is the education authority except in the metropolitan counties, where it is the district. The

Greater London area has its peculiar arrangements. A committee of the Greater London Council on which sits representatives of the London boroughs in the former London County Council area, constitutes an Inner London Education Authority. In the rest of Greater London, the boroughs are the education authorities.

### **Statutory Provisions for Compulsory Education**

Throughout the United Kingdom, parents are required by law to ensure that children receive efficient full-time education between the ages of five and sixteen. The school provision to enable them to do this was laid down by the Education Act of 1944, and later amendments, for England and Wales and by corresponding Acts for Scotland and Northern Ireland. The 1944 Act empowered a Minister 'to promote the education of the people of England and Wales and the progressive development of institutions devoted to that purpose, and to secure the effective execution by local authorities, under his control and direction, of the national policy for providing a varied and comprehensive service in every area.' This was the first time a Minister had been given power to require local authorities to conform to a national policy. They were left a good deal of discretion in its application, however. They originate plans for the organisation of education in their areas, but these and any building projects have to be approved by the Minister. They can decide whether to take up - places in voluntary institutions (e.g. direct grant schools) which are still important in education at all levels. But a voluntary agency, like any ratepayer, may appeal against local authority actions to the Minister who is the final arbiter.

### **Development of Secondary Education 1944/74**

The interplay between national and local control can be seen in the development of secondary education in recent years. The 1944 Act promised secondary education for all, but, as the only secondary schools up to that time were grammar schools, which could not be extended to take the entire population between the ages of eleven and the end of compulsory schooling, senior elementary schools were renamed secondary modern. Very few examples of the third kind of secondary school envisaged by the Ministry, the technical school, were ever provided. Comprehensive schools could have been introduced then, but were not. In effect, the secondary modern school became the secondary school for 75 per cent of the population. In fact, grammar school places would have had to increase by  $33\frac{1}{3}$  per cent to accommodate all those who demonstrated in achievement and aptitude tests that they could profit from an academic curriculum.

It became increasingly clear, however, that the tests were not entirely reliable, and local authorities began in the 1950s to propose different types of non-selective schools. Some were approved by the Minister. The 1964/70 Labour Government then took the initiative and required authorities to submit proposals for completely non-selective education in their areas. The succeeding Conservative Minister yielded to a number of local protests against the closing of selective schools, but did not explicitly repudiate the abolition of selection. The present Labour Government has firmly reinstated non-selective secondary education as a national policy, but it has not prescribed the form it must take. They have asked local authorities (*Department of Education and Science Circular 4/74*) to submit plans by the end of 1974.

# STATISTICS<sup>1</sup>

## A. Nursery Schools—England and Wales—1972

1	Number attending public sector full-time	15,443
2	Number attending public sector part-time	23,998
3	Number attending assisted sector full-time	2,463
4	Number attending assisted and independent sector part-time	2,561
5	Full-time pupils of two years	738
6	Full-time pupils of three years	6,892
7	Full-time pupils of four years	9,214
8	Part-time pupils of two years	1,286
9	Part-time pupils of three years	13,659
10	Part-time pupils of four years	11,614
	Number of children 2-4 years <sup>2</sup>	2,369,000
	% of children, 2-4 years, in full-time nursery schools, public and private sector	.75%
	% of children, 2-4 years, in part-time nursery schools, public and private sector	1.1%

<sup>1</sup> Statistics refer to England and Wales only, unless specified differently. Statistics supplied by the Department of Education and Science, unless other sources are quoted. Statistics are latest available. Current Estimates are not for publication.

<sup>2</sup> C.S.O. *Annual Abstract of Statistics, 1973.*

## B. Primary Schools—England and Wales—1972

1	Number attending assisted and independent sector (excluding middle schools)	5,066,343
2	Number attending assisted and independent sector	232,345
3	Number attending classes (as registered) of	As a % of total
	1-15	0.9
	16-20	2.7
	21-25	7.0
	26-30	19.8
	31-35	37.3
	36-40	28.8
	41-50	3.2
	51 +	0.4

N.B.—The Plowden Report recommended that classes should be *under 30*.

## C. Secondary Schools—England and Wales—1972

1	Number attending public sector	3,251,426
2	Number attending assisted and independent sector	294,132
3	Number attending public sector	As a % of total
	Secondary Modern	33.4
	Comprehensive	41.1
	Grammar	16.1
	Middle (deemed Secondary)	2.3
	Technical and other	6.6

As of March 1974, 72 of 163 authorities existing prior to local government reorganization had received approval to reorganize totally on comprehensive lines; 76 had organised in part; but 15 had received no authority to reorganize (*DES Circ. 4/74*).

**D. Further Education (all sections)—England and Wales—1972**

Number of full-time students in F.E. Colleges <sup>1</sup>	304,400
Number of part-time students in F.E. Colleges <sup>2</sup>	3,066,900*
Number of Open University students (calendar year 1973)	38,000
Number of full-time students in Polytechnics	77,100
Number of part-time students in Polytechnics	125,000
Number of full-time students in Colleges of Further Education <sup>3</sup>	123,195
Number of full-time students in Universities (in G.B.)	239,366
Number of part-time students in Universities (in G.B.)	22,626

<sup>1</sup> Includes students taking sandwich courses.

<sup>2</sup> Includes adult education institutes, evening institutes, i.e. all adult education services.

<sup>3</sup> No part-time students in Colleges of Education.

\*This figure includes evening class students 2,357,100 excluding evenings.

**Value of Maximum Maintenance Grants for Higher Education**

	London and Oxford and Cambridge Universities	Elsewhere	Students living at home	Colleges of Education Students in Residence
	£	£	£	£
1970-71	420	380	305	170
1971-72	465	430	345	190
1972-73	480	445	355	200
1973-74	520	485	390	220

Sources: Department of Education and Science and University Grants Commission.

**Notes:**

- i Between 1970-71 and 1972-73 the level of grants for most students rose by £105 from £380 to £485. During the same period the cost of living rose by over 33 per cent. In the period of Labour Government from 1965-66 to 1969-70 the grant for most students rose by only £20 or 5.9 per cent. During the same period the cost of living rose by 17.8 per cent.
- ii The starting point for parental contributions was raised from £900 in 1970-71 to £1,500 in 1973-74; these figures are not gross means, but residual incomes after certain items of expenditure, such as mortgage interests, superannuation payments and other educational expenses, have been allowed for.

**E. Finance****Public Expenditure on Education in Britain—1971-72**

1 Total public expenditure on education, England and Wales	£2,679.6m
2 D.E.S. expenditure on education, in England and Wales	£361.6m
3 Local Authority expenditure on education, England and Wales	£2,317.9m
4 Public expenditure on education, U.K. as a % of all public expenditure, 1970-71	12.7%
5 Public expenditure on education, U.K. as a % of Gross National Product 1970-71	6.5%

Note: In 1972 these figures had increased to £3,508m total public expenditure on education, England and Wales, representing 13 per cent of all public expenditure, U.K., but still 6.5 per cent of Gross National Product (Central Statistical Office National Income and Expenditure 1973).

**F. Announced Reductions in Public Expenditure on Education**

There is to be a reduction of £24.6m at November 1972 prices from the forecasts of expenditure on education and libraries for 1974/75. This is the amount attributable to education of the reduction in Local Authority expenditure foreshadowed by the Conservative Government's statement of 21st May 1973 (*DOE Circ. 77/73*). The measure announced on 17th December

1973 (*DOE Circ. 157/73*) entailed a further reduction of about £56m at November 1973 prices (£51m procurement and £5m as loan charges and capital from revenue) (*DES Circ. 2/74*).

1974/75 Rate Support Grant Settlement: summary of Department Forecasts and Growth Rates at November 1973 prices. According to departmental forecasts (at November 1973 prices) there will be in 1974/75 expenditure a *reduced* growth rate over 1973/74 of 2.2 per cent for education, 1.9 per cent for school meals and milk and 3.8 per cent for libraries, museums and art galleries.

## CONSERVATIVE AND LABOUR POLICIES

### Conservative

The Conservative Party is making great play with 'parental choice' of schools, but its real purpose is to defend independent, direct grant and, to a lesser extent, grammar schools. Independent schools offer choice only to parents who can afford their fees. At least 50 per cent of pupils in direct grant schools are there because their parents can afford the full fees modified by a means test. Though these pupils have to pass an achievement test, they are predominantly middle-class, as are the majority of those gaining places in those schools paid for by a local authority, when it decides to do so. It is not the type of education that attracts parents to these schools but their exclusiveness. The Conservative Party has no suggestions for increasing parental choice in maintained schools. It must therefore be suspected of using parental choice as a slogan behind which to preserve privilege secured by wealth.

### Labour

The Labour Party wishes all children to be educated in comprehensive schools catering for the full 11-18 age range. This would produce one school for each neighbourhood, eliminating parental choice, segregating classes who live in different neighbourhoods and thus perpetuating class divisions. Such schools would be amenable to centralized control, and there would be a serious danger of indoctrination if any government were disposed to apply to that end all its means of influencing the way schools are run.

Other left wing parties are slaves of a Marxist concept of class interests and insensitive to the benefits of diversity and the development of differing individual potentialities.

The Liberal Parliamentary spokesman on Education, Mr. Clement Freud, has commented on Conservative and Labour Education policies, thus:

'For Liberals the significant point . . . is that neither party seems to be in the least concerned with children themselves and the possible varieties of educational programmes which can and should be on offer to them. . . . At a time when this country is being held back by "traditionalist" attitudes on the one hand and doctrinaire "progressive" attitudes on the other, it is essential for those who are aware both of the need for fundamental reform and of the need for excellence to speak out loud and clear.' (*Statement 16th May 1974*)

### The Liberal Approach

In accordance with Liberal concern for the individual, one of the chief aims of education should be the facilitation of integrated personal development, physical, emotional, intellectual and spiritual. Lip-service has long been paid to the development of all-round personality, but in practice, education has

been predominantly intellectualist and a social training has been merely stereotyping.

Liberals would encourage intellectual excellence but would also seek to develop other qualities and would seek diversity rather than conformity to set patterns of behaviour.

Particularly, Liberals would try to establish conditions for the growth of genuine personal responsibility towards the community. The individual must be assisted to acquire competence to cope with the complex society in which he lives and to adjust to constantly changing conditions. Unless taking responsibility and considering broad perspectives and far-reaching problems objectively is begun in formal education, it is unlikely to develop later. The whole curriculum and character of educational institutions is relevant to these purposes. Authoritarian attitudes in either are a poor preparation for participation in a democratic society. As Clement Freud has said: 'In the long run, it is neither the preservation of traditions, nor the type of administrative procedure which is important, but what is happening to people.' (16th May 1974.)

### **LIBERAL POLICY**

The Liberal Party is the only party which sees education as a life-long process. Close relationships should be maintained among various types of institution, and where appropriate, there should be free movement from one to another. Provided this unity is remembered, the customary divisions can be used as a guide to particular areas in which political decisions have to be made.

### **Pre-School Education**

Schooling is only one part of the educational process. Most early education takes place in the home. Advice and help for prospective parents and parents of young children and community play-groups should be organised, and all the services available, e.g. the library, health and welfare services, should be drawn into this work in the way they can best assist. Nursery schools and classes are required on a much greater scale than at present, as all provisions for the 2-4 year-olds serve less than 2 per cent of the children in this age group.

### **Primary Education**

Greater effort must be given to the completion of the implementations of the Plowden Report's recommendations. Buildings need modernising, and more attention is needed for children with unfavourable environments and language difficulties, including immigrants. The teacher/pupil ratio must be improved, so that children can receive more individual attention. Over 69 per cent are now in classes of over 30 and some 18,619 are in classes of over 50.

Liberals are concerned about the disappearance of the village school and the consequent effect on village life. They will support their retention where they can be viable educational and community units.

### **Secondary Education**

Liberals wish to speed up the reorganization of secondary education on non-selective lines. In so far as *Circular 4/74* seeks to abolish selective secondary education as it has been commonly understood and practised, Liberals have welcomed it. But they see dangers in large comprehensive schools to which all

the children in their areas must go. The middle school, taking children between the ages of nine and thirteen, and the sixth-form college are means of avoiding this and should be tried in suitable cases.

The anomaly whereby middle schools of the 8-12 age range get primary school capitation allowances should be ended, and middle schools should all be recognized as part of secondary reorganization.

In particular, Liberals support differentiated comprehensive schools and deplore the threatened closure of specialist schools such as the Manchester High School of Art, which has successfully met the differing needs of its students.

### Examinations

Liberals would rationalise and diminish the pressure of external examinations on the secondary school and their influence in employment assessment. We would ensure that where external examinations were still used, for example for university entrance, there was a greater degree of fairness between candidates in different schools.

Far too much of the time of secondary school teachers is spent on setting, revising, marking and going over examinations, to the detriment of teaching and, for the pupils, of learning. There should be an inquiry into the cost-effectiveness of this cumbersome machinery. Meanwhile the eight separate independent G.C.E. boards should be brought together under unified and national control.

### School Leaving Age

Now that the school leaving age has been raised to sixteen, those who chafe at school life should be released if they show evidence of having attained a satisfactory standard of oracy, literacy and numeracy and provided that their places of employment offer scope for some recognized form of continuing education. Mr. Clement Freud has already sought to introduce a Bill to give effect to this proposal which was defeated by Labour opposition and Conservative abstentions, in the House of Commons. Rem

We regard the linking of school, employment and continuing education as extremely important. For those who leave at sixteen, the final year of compulsory education should not be confined to the classroom, but should be seen by the student as a preparation for adult life, both as a worker and as a citizen, as well as encouraging a desire to go on taking advantage of the facilities available for increasing his knowledge and skills and broadening his interests. Greater community involvement in schools and other educational institutions should contribute to this, but the curriculum and the teaching of the final year at school should have a major influence in this direction.

Finally, a compulsory school leaving age becomes irrelevant in our system of permanent education, which sees the sixteen-year-olds as the first step of lifelong education, not the last step of compulsory education. ✓

### Government and Community Relations of Schools

Liberals deplore the appointment of school governors on party lines. They would like to see governors appointed for their interest in education and knowledge of its social functions. Teachers, parents and in secondary schools, students, and active members of the local community should be statutorily represented on school management bodies.



In a resolution passed by the Edinburgh Assembly in 1968 and endorsed by later Assemblies, Liberals called for a greater degree of democracy in education with specific recommendations:

- a a revision of the extensive powers of head teachers, with appointment for a fixed term coupled with provision for renewal;
- b elected schools councils in secondary schools, involving students and teachers, and schools councils comprised of staff and parent representatives in primary schools;
- c the education committees of local authorities should also have members from the education establishments run by the authority.

The community should be encouraged to see the educational institutions serving it as focal points for their own interests. The school should draw on the resources of the community and invite its participation in its work, in return contributing to the life of the community and making its facilities available for community activities.

### Teachers

The morale of the teaching profession is lower than it has been for some years. Urban areas, especially London, find it difficult to recruit and keep teachers. Shortage of certain specialists has deprived many children of the teaching they need or want. This is to some extent part of a general problem of these areas and must be solved by social policy as a whole. In so far as it affects teachers particularly, the solution is to raise the status of the profession. Better financial inducements are only one means of doing this, though a necessary one and, to this effect, we advocate the transference of responsibility for the whole of the cost of teachers' salaries from local authorities to the national exchequer. Conditions of work and opportunities for in-service training and study must also be improved. The reduced number of teachers to be trained is not compatible with a reduction in the size of classes. Teachers must have teachable classes. The rather vague suggestions about in-service courses in the White Paper of 1972, *Education: A Framework for Expansion*, should be costed and initiated as a matter of urgency.

### Independent Schools

The abolition of independent schools is impracticable at a time when the state system, like all bureaucratically run services, is disappointing expectations. It is also objectionable in principle to prohibit experiments and schools run according to a particular philosophy, so long as they are competently run and not harmful to their pupils. Traditional public schools are not the only independent schools. There are also progressive schools and those conducted according to some religious faith.

The prestige independent education enjoys in so far as it is based only on its exclusiveness can be countered only by a change in social attitudes. In so far as it is based on superior facilities, it can be lessened only by making the state system better. In most European countries the state system is considered to have great advantages, but this country has a long way to go before that could apply here.

Some sort of association between the state and the private sectors is desirable. The direct grant system has been put forward as one method of achieving it, but the direct grant list has been frozen for the best part of thirty

years and is too small to constitute an effective bridge. Some other means of bridging the gulf between public and private must be found. Meanwhile, some progress towards it might be made by giving all schools, voluntary-aided and maintained, more independence.

## **TERTIARY EDUCATION**

### **Permanent or Lifelong Education**

It is in the tertiary sector in particular that widespread and fundamental changes are now in progress or imminent in the majority of the advanced countries. The acceptance of the principle of permanent or lifelong education by U.N.E.S.C.O., the Council of Europe, and the E.E.C. has necessitated a revision of our ideas about the importance of the tertiary stage and its objectives and content.

Education is conceived of as a unitary process extending from birth to death. Within that, the tertiary period commences at sixteen and must serve the individual in his initial training, further training, advanced training, retraining and his leisure time interests. If this is to be achieved economically and efficiently, a very pressing radical restructuring and integration of tertiary provision has to be undertaken and much more efficient use made of public libraries, museums, art galleries, community centres, as well as all school facilities. Liberals aim for the abolition of the binary system in the Higher Education sector, whereby polytechnics are controlled by local authorities and financed by a pooling system, while universities are financed through the University Grants Committee. A single national body should be responsible for the whole of Higher and Further Education.

### **Technological Changes Requiring Retraining Opportunities**

The rapid ongoing expansion of knowledge has produced technological advances which have led, and will increasingly lead, to the continuous disappearance of old jobs and the appearance of new ones demanding new skills. It is essential that the education sector not only responds to those demands but anticipates them. It is no longer possible to train a skill for life. Close liaison and collaboration with the industrial sector is required for an effective response. Already many European countries are establishing the machinery to do this and have enacted laws providing for financial support to employees during periods of advanced training, up-dating and retraining. With the free movement of labour among E.E.C. countries, we must give similar retraining opportunities for British workers or they will be faced with unemployment. Liberals alone would seek to bring the United Kingdom in line with other European countries, in this respect, and indeed at the 1973 Assembly went further and accepted the right of everyone to have his wishes, as well as his needs, for Further Education met, if necessary by release from work, without loss of job security.

### **The Russell Report**

The Russell Report is an extremely disappointing and limited view of the future of adult education. It does not envisage a system of permanent adult education and therefore makes no provision for the retraining schemes so vital to industrial workers. Other omissions include the failure to mention the contribution public and other libraries could make to adult education; the failure to recommend a fourth channel for education or local radio, which has great potential for courses and publicity for courses. Its financial provisions allow

only for the doubling of the 1 per cent of public expenditure on education over five years that is budgeted to adult education. This means doubling present provisions which virtually ignore the problems and prospects of the majority of adults who now get little or no further education.

In consequence of inadequate retraining schemes, we paid £218m on unemployment benefits and £191m on supplementary benefits, including payments for the hardcore unemployed in 1972.

### **Financing Students of Permanent Education**

Adult education should be more strongly supported and related to higher and further education at a number of points. With respect to full-time education over the age of sixteen, Liberals are in favour of establishing a single committee to deal with student grants. Parental contributions would be abolished and grants would be incorporated into the Tax Credit system under which students would receive the basic credit supplemented by a special student credit. In brief, Liberals would seek to remove any financial barriers to the utilization of opportunities within the tertiary sector, particularly in the case of married students.

Liberals would also encourage individuals facing redundancy to apply to the Social Fund of the E.E.C., which provides funds for vocational retraining. This fund is available only for individuals not for government programmes.

### **GENERAL POLICY POINTS**

- 1 Liberals fully support increasing the supplement of local resources by funds from Central Government without loss of local control, for example, by transferring responsibility for teachers' salaries to the national exchequer. But we would prefer a system in which regions had more responsibility for educational finance, in accordance with our proposals for regional devolution.

- 2 Still too little has been done to assist the handicapped of all types. Liberals are in favour of a special investigation into the educational needs of the handicapped and would seek to extend the present provision.

#### **3 Adult illiterates**

There is also a need for increased provision for adult illiterates and others with special language problems. In Liverpool, Liberals voted to finance the University Settlement group that provides literacy instruction for adult illiterates.

#### **4 Educational Management**

Liberals would give their support to training courses in management of education. As institutions have grown both larger and more complex, it is clear that those who have to manage them should have some training in a situation which demands specific sets of skills.

#### **5 Careers Guidance Service**

In a world which is continuously changing there is a great need for information and advice upon career possibilities to be available to everyone of any age. Liberals would favour the development of such a careers guidance service.

#### **6 Fourth Television Channel**

The power and potential of mass media to assist educationally has not been sufficiently exploited. Consequently Liberals would support the allocation

of a fourth television channel to education of all types including non-academic courses.

## 7 Libraries

Liberals do not confuse education with schooling and recognize that other institutions such as museums and public libraries are among our most valuable educational resources. Public libraries preceded public schools and were the first 'open universities', first, that is, in the field of lifelong education. With the local government reorganization, public libraries and schools are under the same local authority, except for the inner London area. We support full co-operation between them in meeting local education needs.

## PAYING FOR EDUCATION

Liberals are fully aware that public expenditure on education, at 6.5 per cent of the Gross National Product since 1970, will not rise in percentage terms. A more efficient and imaginative use of staff and buildings of currently existing public libraries, community and church halls and other amenities would provide most of the resources for our projected nursery service. Better liaison among library, social and health services would *reduce* bureaucratic costs. An adequate nursery service would *lessen* the need for remedial services currently required in primary schools and hence *reduce* costs of primary education.

Funding of the permanent education programme need not introduce increased public expenditure. It could be funded out of expenditure mis-spent elsewhere. In 1972, in addition to the £218m paid out in National Insurance unemployment benefits, an additional £191m was paid out on supplementary unemployment benefits which includes payments to the hardcore unemployed. Many of the unemployed receiving these payments require retraining to become employable. Diversion of some of these funds into retraining or new training is a more positive and humane response to this problem. The current government had budgeted £85m for 1974/75 for all vocational retraining, which includes the Industrial Training Board, the Department of Employment's training and skills centres as part of a five-year plan. But the £191m paid out in supplementary unemployment benefits shows how far from adequate this retraining programme is.

Public Expenditure by the Department of National Health and Social Security, related to unemployment, 1972:

1 Expenditure on National Insurance unemployment benefits	£218m
2 Supplementary unemployment benefits (includes payments to hardcore unemployed)	£191m
3 Supplementary benefits to persons in need (e.g. old national assistance or payments to provide a living wage)	£154m
4 Payments to old persons	£293m
5 Payments to sick persons	£85m

(CSO. *Annual Abstract of Statistics*, 1973.)

## 12 ENVIRONMENT, ENERGY AND TRANSPORT

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### LIBERAL POLICY AIMS

- 1 To pursue a policy of controlled economic growth.
  - 2 By the institution of a National Pollution Inspectorate and of taxes on pollution to prevent the worst environmental damage and to channel resources into the development of 'cleaner' technologies.
  - 3 To establish a National Energy Policy which will promote more economical use of energy and undertake research into sustainable levels of consumption.
  - 4 To stabilise the growth in population through free family-planning and a massive educational programme.
  - 5 To prevent the despoilation of our countryside by careful conservation.
  - 6 Establishment of integrated transport policies which makes optimum use of each existing mode. The prohibition of further closures of railways and waterways until investigation of the possibilities of further transferring freight carriage to rail and water has been completed.
- 

### 1 ECONOMIC GROWTH AND THE ENVIRONMENT

'What is the economic good? What sort of growth, if any, is good? Is more and more industrial efficiency really an ultimate aim? What kind of gross national product? And ought we not to be trying to define growth and production aims in terms of ethics and the environment?'

(John Pardoe commenting on questions being asked by a new generation in a speech on Thursday 15th August 1974.)

Gross national product is not a measure of real benefit. It includes outputs, be they good, bad or indifferent, and it excludes the unpleasant by-products of industrial growth. The crude maximisation of G.N.P., which has been the central god of all governments' economic strategy, does not achieve the good society or the most prosperous society. Indeed, economic growth has been accompanied by increasing social disintegration to which the growth in crime, mental illness, drug taking and divorce all testify.

In addition, even if rapid and continuing economic growth were definitely desirable, it is very doubtful whether it is feasible. The resources of our planet are finite and cannot support an indefinitely increasing drain on raw materials and fuel supplies. (See page 24.)

This is not to say that increasing material wealth is not desirable, but that we must have *controlled* growth. By controlled growth is meant both the careful husbandry of our scarce resources and the minimisation of environmental damage. It is a question of balancing the benefits of more consumable goods against the environmental pollution, their production causes and the rate of decline of raw materials.

The appropriate rate of growth, in the Liberal view, should not be determined from the centre on a global scale. It should, instead, be determined by economic

forces working within a framework which sets limits on tolerable pollution levels and provides incentives for the introduction of 'cleaner' technologies and the conservation of raw materials. The details of Liberal proposals are set out in the sections following.

### **Liberal Policy**

The Liberal Party's commitment to a policy of controlled growth was affirmed at the Margate Assembly in 1972, which passed the following resolution:—

'This Assembly is extremely concerned at the ecological and environmental consequences of economic growth and recognises that economic policy must be based on the recognition that the resources of our planet are finite and that revised attitudes to growth will require major changes in society, particularly with regard to education. This Assembly recognises that controlled growth is necessary but accepts that regulations should be introduced:

- 1 To prevent ecologically wasteful activities such as want-creating advertising and planned obsolescence.
- 2 To channel resources into activities such as recycling, conservation, improved quality and durability of goods and the reduction of pollution.'

Liberals recognise that controlled growth is necessary to provide better standards of living for everyone and to pay our way in the world upon which we depend for much of our raw materials.

As Lord Simon said in the House of Lords on 23rd March 1973:

'For better or for worse we live in an industrially-based country, an industrially-based society. We could not maintain our population in these Islands without industry; and industry—and this does not apply only to large-scale industries but even to small primitive ones—cannot avoid having some impact on the natural environment. . . . Our aim should be to control it to such an extent that it does not inflict an intolerable burden upon us. We must accept that there will be impacts and that, in seeking to get the picture right, we shall have to accept a certain amount of industrial impact on our environment'.

## **2 POLLUTION**

### **Air**

The main sources of air pollution are power stations, industry, home heating and cars and lorries. Pollutants from these sources kill plants and fish, irritate our lungs and blacken and erode buildings.

In Britain in recent years, air pollution has been reduced as a result of two policies. The Clean Air Acts introduced smokeless zones and tall chimney-stacks at power stations and industrial plants have dispersed pollutants into the upper atmosphere. The first policy has been a success only to a limited extent. Shortage of smokeless fuel has prevented the extension of smokeless zones and some have even been 'derestricted'. In many areas coal burning has been replaced by oil, merely replacing dirty smoke with invisible but also poisonous sulphur dioxide. This problem of air pollution adds weight to the argument (more fully expounded in the energy section) for a comprehensive national energy policy. The second policy cannot continue for much longer as pollution knows no boundaries. Our pollutants, 'dispersed' into the upper atmosphere reduce ground level pollution near the source, but they add to the pollution in other countries, as when fish in Norwegian lakes were killed by

sulphur dioxide from France and Germany. International agreements must soon be concluded which will outlaw such trans-frontier pollution. Before restrictions are forced upon us from outside, as eventually they conceivably could be within the framework of the E.E.C., we must tackle this problem. Sulphur dioxide should be added to the list of noxious substances in the Alkali Acts.

Sulphur removal from fuel and the reduction or neutralisation of sulphur dioxide emissions from chimney stack gases are just two of the more obvious targets for more intensive research under an Environmental Protection Policy.

### **Water**

The present River Pollution legislation is defective in two respects. The discharge of effluents into estuaries and into coastal waters is not properly controlled. The requirement to clean up rivers is at present an absolute one whereas it would be far more realistic to classify the rivers, as has been done in America, and aim to preserve the present clean rivers and gradually reclaim the more polluted.

### **Land**

The pollution of the land takes place via excess fertiliser and pesticides, slag heaps and rubbish dumps containing non-perishable wastes such as some plastic containers. In addition, it must be realised that the environment is indivisible, so that pollutants entering the air may well affect water and the land: excess fertiliser on the land runs off into the rivers and eventually into the sea, pesticide residues appear everywhere.

### **Liberal Policy**

A coherent environmental protection policy should: encourage research; enact and *enforce* protective legislation; and introduce tax changes to encourage environmentally favourable activities and discourage harmful activities. It is important that the above three elements of policy should be used coherently in order to achieve the desired end, in contrast with the piecemeal approach with occasional bouts of panic legislation that seem to be the pattern at present.

### **Enforcement**

Substantial improvement could be made within the framework of existing legislation if enforcement were more adequate. To achieve this would involve, at least, a substantial strengthening of the Alkali Inspectorate (at present responsible for controlling air pollution), the River Authority Inspectorate, the Building Inspectorate and the provision of a completely new class of inspector, perhaps linked with the police, to control emissions from vehicles, particularly heavy lorries and buses.

The Liberal Party believes that the establishment of a National Pollution Inspectorate would be an institutional change conducive to the strengthening of pollution controls.

On 27th January 1973, the Liberal Party Council passed the following resolution:

'In the light of recent serious cases of industrial pollution and the failure of various agencies, principally of the Alkali Inspectorate, to prevent, give warning of or control these cases, this Council demands:

- a that the Alkali Inspectorate be extended into a National Pollution Inspectorate.
- b that the staffing, funding and independence of such a body should be such as to allow for comprehensive and uncompromised control.
- c that secrecy be maintained in only a few clearly defined situations.
- d that the inspecting role of local authorities in connection with such a National Pollution Inspectorate be reviewed to assure the proper level of scrutiny.
- e that the penalties for industrial polluters be increased especially for second offences.
- f that the T.U.C. be urged to be more active in the cause of pollution control in industry.

A further policy, very much part of Liberal thinking, which would assist enforcement was proposed by the Margate Assembly, 1972, which called for: '... The extension of Legal Aid so that individuals and communities can fight on equal terms threats to their environment from government or commercial agencies...'

### **A Tax on Pollution**

Given that the absolute limits on pollutants that are immediately dangerous (radioactive materials, cyanide, heavy metals, hydrocarbon oils, persistent pesticides and so on) are strictly enforced, there remains the problem of pollutants which are merely noxious, and only become really harmful in large quantities.

Sewage, for example, is after all a natural waste substance which the natural ecological cycle deals with very satisfactorily, and so are many industrial wastes. It is when the amount of such materials at a given point becomes excessive that pollution can be said to occur. For example, dairies and slaughter-houses, and even farmyards, constitute really serious sources of pollution, not because of the type of materials discharged, but by their mass and concentration.

Pollution of this kind should not be prohibited but taxed pro rata to the amount discharged at a level of tax sufficient to provide a real incentive to reduce the discharge.

In the case of industrial discharges into sewage systems such an approach is working well. A method has been devised for calculating the amount of pollution contained in an industrial discharge, in so far as it affects a sewage works. Today 70 per cent of all the country's industrial discharges are made into public sewerage systems and a large proportion of these discharges is subject to charges made by some such method. In the last twenty years our rivers have become cleaner. At the moment, industry plans its work to maximise its profit, using real resources such as materials and labour and space, which cost money. Industry in fact also uses the environment, but this is a facility which is not at the moment one which costs money. This could be changed through a pollution tax.

### **Additional anti-pollution measures**

'... An absolute ban on any productive process giving rise to noxious substances without the prior certification of a Government Agency that those substances have been tested and approved as being safely disposable.



'The immediate establishment of a regionalised Pollution Inspectorate empowered to investigate actual or potential causes of pollution; to issue orders to lessen or preclude such pollution; to charge those causing pollution with the cost of dispelling it; and in cases of wanton heedlessness of public interest, to order the compulsory closure of productive plants. . . .'

*(Margate Assembly, 1972.)*

## **Recycling**

An important element in any environment policy must be the encouragement of recycling. This at one stroke reduces two problems: refuse disposal; and the squandering of resources. As well as 'waste' materials like used paper or old motor cars, many pollutants could be recovered and re-used in some beneficial way instead of being discharged into the environment possibly to do untold damage. Of course the energy costs of recycling must be taken into account. Use-once-and-throw-away goods and non-returnable containers (such as soft-drink bottles and beer cans) should be phased out.

## **THE URBAN CRISIS**

All the problems of environmental decay are particularly acute in large towns. This is especially the case in the twilight zones of inner cities.

Much of the poor quality of life in our inner cities is due to bad housing conditions (see Chapter 10 Housing). For the rest the major problems are those caused by the motor car. It is in the interests of the internal combustion engine that we suffer the noise and fumes, the congestion, the demolition of beautiful buildings and of whole communities to make way for bigger and better roads. If there was any doubt that the social costs of the dominance of the motor car outweighed its benefits then it must now be dispelled by the quadrupling of the price of oil, which has fundamentally changed the economics of transport.

If our cities are not to be totally destroyed by the motor car (and for reasons of oil economy) we must look to expanded public transport systems, and limit the use of the private car in inner cities. The Margate Assembly (1972) called for a severe limitation on the access of private vehicles to designated areas of city and town centres, the provision of adequate car parks on the periphery of the designated areas, and the provision of a frequent, convenient and fares-free public transport service within the designated areas.

## **Juggernauts**

A special problem has arisen due to the increasing use (since our entry into the E.E.C.) of huge articulated lorries (juggernauts) on roads quite unsuitable for them and far too close to where people must live and work. The Liberal Party is committed to '... the restriction of juggernauts to specific and limited trunk roads and a continuing ban on any increase in their size . . .'

*(Resolution at Margate Assembly, 1972.)*

## **3 ENERGY**

### **Short Term Problems**

The short term problem is a matter of balancing supply and demand. Oil represents 54 per cent of total world consumption of energy at this time. The greater part of the world's oil production derives from the Middle East. Recent events confirm the Liberal Party's belief that we cannot continue to rely on a

steady stream of oil imports at a steady price from this highly unstable political area.

Alternative energy supplies cannot be made available in the short run. Britain's coal industry, which has been run down continuously over the last twenty years, has large reserves to work on. However, the lead time to the exploitation of these reserves is in the region of ten to fifteen years. At present, the National Coal Board's most extensive expansion programme is aimed at preventing further reduction in capacity rather than actually increasing it.

Again it is quite true that North Sea Oil and gas when on stream, will go a long way to providing Britain with the energy she needs. However, present estimates (liable to correction) are that it will take until well into 1977 before the North Sea deposits are providing us with significant supplies of energy.

Similarly, until the nuclear reactor programme begins in the 1980's, we cannot expect nuclear energy to stop the energy gap.

Finally, it is in principle possible to tap the heat from the earth's core to provide geothermal energy, or to harness the sun's energy by solar heating for houses. Again, the contribution these sources could make by 1985 can only be modest.

Summing up; supplies of energy cannot meet the currently predicted demand for the next fifteen years.

### Liberal Policy

The only solution then, is to economise on the energy supplies we have available. The following table indicates the final uses of energy in the U.K. It not only shows the major uses, but also the areas where potential saving would be greatest.

	'000m. therms heat supplied		
	1970	Upper estimate 1980	Lower Estimate 1980
Road transport	8.5	15.2	14.5
Air transport	1.5	3.1	3.0
Railways	0.6	0.7	0.7
Water transport	0.5	0.6	0.6
Iron and steel	7.2	8.3	8.2
Other industries	17.5	24.3	23.9
Domestic consumption	14.6	17.7	17.0
Public service and misc. (including agriculture)	7.4	9.9	9.7
	57.8	79.8	77.6

Examples of heat savings include:

Good insulation can reduce fuel consumption for heating buildings by 50 per cent or more from present standards (because we do not have a standard of 2-inch-thick insulation in the roof and walls of all new dwellings built since 1960 we will have wasted £462 million in avoidable heating costs by 1979, the equivalent of 11½ million tons of oil).

Good central heating boilers can use a third of the fuel consumed by open fires.

District heating schemes, using 'waste' heat from electricity generation or industrial processes may halve total fuel consumption (for electricity plus heat).

Changes in materials and techniques could reduce energy consumption in building construction by 70 per cent.

Recuperative heat exchanging processes in some industries can halve fuel consumption, or better;

Solar heating falling on buildings is almost enough even in winter.

Examples of savings on motive power include:—

Better dispersion of commercial and light-industrial businesses amongst residential areas could cut down commuting distances.

Better traffic flows in towns cuts petrol consumption by up to a third;

Lighter, more streamlined, road vehicles can halve fuel consumption;

Rail traffic uses only about 35 per cent of the fuel needed by road traffic (per passenger or per ton);

Aircraft and other vehicles often travel half empty.

### **A Permanent Energy Commission**

The Liberal Party Assembly at Southport, in 1973, resolved that:

'A permanent Energy Commission should be established to advise the Government on U.K. energy policy and on the energy implications of other policies in the context of Europe and the world.

'Immediate measures should be introduced to promote more economical use of energy in transport, power generation, housing construction, insulation of buildings and other spheres where significant savings can be made'.

It should be emphasised that it is not only a matter of stopping the energy gap. Saving on energy consumption is the obvious economic policy to deal with the worsening of our balance of payments and the 'tax' placed upon us by the quadrupling of the price of oil.

### **North Sea Oil and Gas**

The Government announced in May 1974 that it had set a target of achieving self-sufficiency in oil consumption for the U.K. by 1980 (140 million tons per annum—Department of Energy Brown Book 'Production and Resources of Oil and Gas in the U.K., May 1974').

It is crucially important that we take the correct decisions now both in terms of the immediate energy crisis and the long-term future energy supplies. The creation of a Department of Energy by the Conservatives in January 1974 went some way towards a recognition of this need but not nearly far enough. A Liberal Government would immediately appoint a permanent Standing Royal Commission on Energy to advise the Minister of the best way of using our energy resources and to develop an overall National Energy Plan. Its main considerations would be:

- 1 The over-generous licensing and taxation systems which enrich foreign companies who control 60 per cent of the licences so far issued. (If by 1980 the landed price of oil is \$10 a barrel, then under the present system, with revenues of \$11 billion a year, profits would be \$4 Billion). No reasonably minded person would consider this as fair.
- 2 To tax the excess profit, after guaranteeing a reasonable return, by a levy on every barrel of oil extracted.
- 3 To syphon a proportion of the revenue to develop other industries in Scotland and the North Sea. A Scottish Oil Development Corporation would be set up to do this.
- 4 To charge the oil companies the full social and environmental cost of exploiting the North Sea oilfield—on land and sea.

- 5 Carefully consider setting up a state oil company to buy the whole of the producers output at negotiated prices as is done in the case of gas by the Gas Corporation.

Liberals oppose outright nationalisation as proposed by the Labour Party as being impracticable and grossly expensive.

The pace of marine exploration is also a critical factor. Both the Conservatives and Labour have committed themselves to as rapid exploitation as is possible. Neither have given any guidelines or framework to industry as to how the quality of natural resources such as steel and cement, are to achieve their targets, are to be organised and marshalled.

However superficially attractive it might appear, rapid exploitation is not the answer. Regardless of the loss in revenue to foreign companies such a proposal would also, and already is, doing irreparable damage to the environment. Furthermore, there are doubts about the quantity of North Sea oil available; some experts suggest only twenty-five years supply, and the uncertainty of the energy extractive costs due to probable fluctuations in the general global price of oil, make it stupidity to rush into mad exploration now and leave future generations to face the consequences.

The best long term answer is not the most obvious. Instead of developing supplies to meet demand we should conserve our supplies as long as possible.

### **Long Term Energy Prospects**

Total world reserves of crude oil have been estimated at around 2,000 billion barrels, of which 550 billion barrels have been proved. Shell estimate that a further 1,550 billion barrels could be obtained from tar sands and oil shale. Even more could be got if the price were high enough and the environmental damage from largely open-cast sand and shale extraction were ignored.

*It is just a question of time before these reserves are severely depleted or exhausted.* Two thousand billion barrels of oil would last 110 years if used at the rate of 50 million barrels daily, 55 years if used at the rate of 100m. b/d, or 27 years if consumption was 200m. b/d. A progression of this kind with a doubling every 14 or 15 years has, in fact, taken place.

Some people argue that long term energy supplies need not depend on finite reserves of crude oil (and natural gas) because other forms of energy will become available. They point out that coal reserves, tar sands and oil shale theoretically provide sufficient fuel for two or three hundred years, and assume that new technology will provide nuclear, solar and geothermal energy. Before we can know that these sources of energy can be used, much more technological development must take place. In the meantime, we are establishing a way of life heavily dependent on levels of energy consumption that may not be sustainable.

### **Liberal Policy**

Liberals urge that:

*'... by 1985 consumption shall be at a level that can be sustained for the foreseeable future; research should be undertaken to find sustainable levels of consumption, and sustainable non-polluting sources of energy ...'*

*(Southport Assembly, 1973.)*

To help ensure adequate energy supplies:

stimulate research into the more efficient mining and use of coal, e.g. underground liquefaction, pulverisation or gasification;

- use fuel tax to finance research and insulation grants;
- stimulate research into the conservation of energy and into exploitation of energy sources that do not depend on fossil fuels.

Grants and taxes to curb consumption and waste:

- increase subsidies for public transport;
- tighten up considerably on insulation standards for new buildings;
- provide improvement grants for home insulation;
- provide investment grants for schemes to use waste heat from power stations, etc., e.g. district heating, fish farming, market gardening.

To off-set the increased taxation discussed above, old age pensions and social security benefits would need to be increased and other taxes reduced, including probably VAT.

## **Nuclear Power**

'The Liberal Party advocates continuity of work on British nuclear reactor systems. The first advanced gas cooled reactors will come into operation during 1974, and it would be a grave mistake to switch horses now to the American pressurised water reactor system, as it is suggested we are likely to do'.

*(Liberal Party Manifesto, 1974.)*

Britain leads the world in the development of breeder reactors, which undoubtedly, represent the best hope for the immediate future. Our major research effort must be diverted to breeder reactors.

In the very long term the hope is nuclear fusion. However, the technology is exceedingly difficult and the pollution problems of radioactive waste are severe. Indeed in general, the Liberal Party believes that the 'Assessment of the future of nuclear energy should take account of reactor safety, polluting effects, and the moral justification of storage of wastes for future generations to deal with.'

*(Southport Assembly, 1973.)*

## **ENERGY**

### **Recent Developments and Liberal Responses**

The major criticism that Liberals level at Conservative and Labour is the lack of coherent energy policy. The lack may prove disastrous in the light of North Sea Oil developments.

### **Coal**

A six-point plan to ensure the future of the coal industry in the 1980's is to be supported by the Government (14.6.74). An interim report by the Government, National Coal Board and mining unions suggests that output could be raised from the present level of below 120 million tons to 150 million by 1985, at a cost of £600 million.

### **Nuclear**

The Secretary of State for Energy:

'that the Government believe SGHWR is the right system for the United Kingdom to pursue. Since we shall be moving forward from a prototype to a commercial size and design, it seems sensible to start with reactor units of 600 to 660 megawatts rather than a larger size so as to reduce the problems of scaling-up; also for the initial programme to be relatively modest—no more than 4,000 megawatts over the next four years.

We are asking the C.E.G.B. and the Scottish boards to set preparatory work in hand jointly. A first order will be placed as soon as possible.'

In a Government paper accompanying his statement the Secretary of State disclosed that the Canadian authorities had provided assurances on the supply of heavy water for the first SGHWR stations.

At a press conference after his announcement, Mr. Varley said the SGHWR programme would be reviewed in 1977/78, when it might be possible to intensify it if the initial construction experience was satisfactory.

*(Hansard, 10th July 1974.)*

Liberals welcomed this statement coinciding as it does with the views expressed in the February 1974 manifesto:

'The Liberal Party advocates continuity of work on British nuclear reactor systems. The first advanced gas cooler reactors will come into operation during 1974, and it would be a grave mistake to switch horses now to the American pressurised water reactor system, as it is suggested we are likely to do. The evidence from the United States shows that they are less safe.'

*(Change the Face of Britain, pages 14-15.)*

## Oil

There have been three major statements by the Department of Energy during the Labour Government of 1974.

- a 'The Brown Book', May 1974, which is intended as an annual review, was the first indication of the Labour Government's lack of strategy towards North Sea Oil. The document should be heavily contested because it admits that most of the information is supplied by the major oil companies—the Department of Energy does not possess sufficient resources for analysis. The rates of production proposals, and the lack of strategic framework planning have been criticised in an earlier section.
- b Government proposals for the taxation of revenues.

The Government's plans for North Sea Oil, announced on 12th July 1974 included an additional tax on continental shelf profits and the closing of loopholes allowing operators to avoid paying British corporation taxes. A British National Oil Corporation will be based in Scotland and Scottish and Welsh development agencies will be set up.

Future off-shore licensees will, if the Government requires, grant a majority holding to the state in newly discovered fields and the Government will take powers to extend its control over offshore operations. Present nationalised offshore holdings will be transferred to the new corporation. These plans are pure election window dressing and the predictable nationalisation plans emerge. It is misleading for developers and industry at a time when they need guidance and a framework of rules to work within.

- c Construction sites for offshore oil production platforms (12.8.74).

This measure mirrors the earlier Conservative proposals to bulldoze through development regardless of cost or proper planning. It is by no means certain that these rig sites so desperately wanted by the oil companies will be needed. Already oil companies are cutting costs of rigs by changing from steel to concrete and may develop fully submersible production rigs. The Government is in danger of raping large areas of Scotland in its mad rush to bring the oil ashore regardless of the cost.

## Conclusion

Liberals yet again heavily criticise the Government for not providing any

coherent relationship in its proposals for coal, nuclear and oil energy. This will prove disastrous.

#### 4 POPULATION

The population of Great Britain has doubled three times in three and a half centuries, from 7 to 56 millions. Though estimates of future population growth must be fairly tentative, it is reasonable to assume that if we fail to act effectively now our numbers will continue to increase by a million every three or four years so as to give 62 million by the year 2,000, less than a generation away.

It is clear that man's impact on the environment varies proportionately to his abundance. If we are to live in a tolerable environment then it is vital to reduce the growth in population as a matter of urgency.

It must be emphasised that a reduction in average family size to two children would be enough to stabilise the population of England and Wales at around 55 million.

Further, it should be noted that a full 76 per cent of those in a Liberal poll on population of 1972 thought that 'measures for the control of numbers are necessary now', a further 9½ per cent thought, control measures will be necessary 'soon', and a majority thought that the U.K. as a whole was overpopulated.

#### Liberal Policy

The Liberal Party was the first party to call for a national population policy, when at Margate in 1972, it called for the implementation of the following measures:

##### 1 Family Planning

- a The National Health Service to operate Family Planning Clinics on a full-time basis as part of the existing welfare and medical services coupled with an adequate domiciliary service.
- b This service to be provided free to all.
- c Funds to be made available for advertising this service on the mass media.
- d Voluntary sterilisation for males and females to be provided free of charge on request from the individual.

##### 2 Education

A massive educational programme to inform all sections of society of the problem and the need for responsible parenthood.

##### 3 Research

Further finance to be provided for research into more acceptable and effective methods of contraception.

##### 4 Population

The Government introduced free family planning advice and contraception on the National Health Service (29.5.74). Liberals welcome this move but deplore the fact that the Government did not give the financial provisions necessary to implement the measure.

#### 5 CONSERVATION OF THE COUNTRYSIDE

The beauty of the countryside is threatened on all sides by the pressure of economic growth. Motorways, pylons, spreading towns, mines and quarries, deforestation are just some of the symptoms of this process.

Liberals believe that we must take action to conserve the beauty of the countryside, and the Scarborough Assembly of 1972 committed a Liberal Government to:

'... Redress the balance of agriculture by providing low-interest loans to farmers for the purchase of livestock and grants-in-aid for the restoration of meadowland where this can viably support a grazing herd:'  
and to

'take powers to designate conservation areas of landscape, within which grants would be available for consequent restrictions on intensive farming: to press for increased independence in the administration of the National Parks, as proposed in the Longland Report, particularly in the light of recently publicised threats from mineral exploitation in these areas. ...'

Moreover that Assembly affirmed that its proposals constituted:

'... an acceptance by the community of the social cost of preserving the landscape for the enjoyment of all and that this should not have to be borne by those who make their living from the land.'

### **International action**

Liberals emphasise that the problems of environment and energy are international problems and need action through international agencies. We abhor the Conservative Government's bilateral deal on oil which undermines the American attempts to institute an agreed international policy.

The Margate Assembly, 1972, resolved that:

'The continental shelf off Western Europe, from the Bay of Biscay to the North Cape, to be declared a conservation zone within which the European Community would have authority to regulate fishing by ships of all national designations in order to protect over-fished species. The United Nations Organisations to work for international agreement to prohibit ocean and other dumping'.

### **Some Major Environmental Developments from the Short Parliament: February to July 1974**

#### **Pollution**

##### **Dumping at Sea—Royal Assent, 27th July 1974**

This Bill was brought in initially by the Conservatives and was very much an agreed measure. It is a step in the protection of the marine environment and will be of assistance to this country in playing its part in marine pollution control matters internationally. The Act controls dumping in the sea from ships and limits the number of ways, by which dumping can take place from the land directly into the sea below high water mark.

##### **The Merchant Shipping Bill—Royal Assent 31st July 1974**

Gave powers to enable the Government to ratify international conventions concerning oil discharges, the disposal of garbage and the tank wastages of bulk carriers.

##### **Control of Pollution Bill—Royal Assent 31st July 1974**

'My party very much welcomes the Bill. It has our full support.'

*(Stephen Ross, 17th June, Hansard, col. 124.)*

The Act is substantially the same as the Protection of the Environment Bill which fell at the dissolution in February. It covers four main areas:



- 1 Waste on land—it reinforces the public control over the whole process of waste disposal so as to ensure that it is carried on in a safe and inoffensive way, well integrated into land use planning. Apart from environmental requirements the main task of co-ordinating waste disposal falls on the local authorities.
- 2 Water pollution—generally the existing system of controls are extended to fully cover discharges to virtually all inland and coastal waters.
- 3 Noise pollution—mainly directed at controlling neighbourhood noise, with special emphasis on noise from construction sites. The Act streamlines existing noise nuisance procedures and increases penalties for offences. The most important measure gave local authorities, district and London boroughs, powers to designate noise abatement zones, analogous to clear air zones.
- 4 Air pollution—the Act gives enabling powers to make regulations about the composition of motor fuel and the content of oil fuel.

## 6 TRANSPORT

'Transport is inextricably bound up with overall development and must be integrated with national, regional and town and country planning. Our main priority must be to provide for integrated policies which acknowledge the changed roles of our various modes of transport. Conservative and Labour Governments have consistently worked on a piecemeal basis. Liberals assert that it is time to work out an overall strategy. In particular we advocate the prohibition of any further closures of railways and waterways until a study group has reported on the possibilities of further transferring freight carriage to rail and water. A new attitude must be taken to our railways which takes into account social and environmental factors as well as capital expenditure'.

*(Liberal Party Manifesto, February 1974.)*

### Liberal Policy Aims

At its July 1966 meeting the Liberal Party Council summed up its dissatisfaction with the Government's transport policies in the following way:

'This Council deplores the failure of the Government to present the nation with a modern transport policy embracing total community requirements, and in particular the absence of any proposal to establish Transport Authorities within the respective regions having adequate resources to undertake long-term transport planning and powers to act.'

### A Co-ordinated Transport System

The Liberal Party itself has put forward over the past few years positive policies to achieve an adequate modern transport system. Underlying all these proposals has been the realisation that one form of transport cannot be divorced from the rest and that transport is inextricably bound up with overall economic and physical planning and development. This emerges clearly from the resolution passed at the 1963 Brighton Assembly, which began:

'This Assembly, believing that there is an urgent need for a modern transport system which can play a positive role in building and linking the towns, villages and cities of the future, advocates the following policies:

- a Integrate transport planning with national, regional and town and country planning in order that investments and closures are investigated in the context of overall policies for the siting of houses, jobs and leisure.

- b Co-ordinate road, rail, canal, sea and air services to take account of community benefits'.

In July 1973 Mr. Graham Tope M.P. said in the House:

'We must recognise that the future lies in providing cheap, frequent and convenient public transport to be seen as a social service and not as an activity run primarily as a commercial enterprise.'

This attitude recognises the needs of all who depend upon public transport, which includes mothers and children, both the robust and the frail, elderly and the handicapped. Further research into the demand for public transport should therefore take account of all sectors of the community and not confine itself to the demands of the peak hour commuter and the healthy adult.

The Party has not neglected the role of prices and competition between modes of transport, as a silent and efficient co-ordinator in the very many cases where no complications arise and the choice is simple (e.g. air versus coach versus inter-city rail). In particular Liberals believe that it is important to take into account the full social costs of transport in planning changes to the transport system, but are opposed to the idea of indiscriminate subsidies for services, though recognising that in some circumstances financial support is essential. In 1962, at Llandudno, Liberals called for measures to 'make transport services economically self-supporting, subsidising only such economic services as national and regional services show to be necessary for social and planning reasons.'

At the same time there was a call to 'reduce the cost caused by congestion, by increasing the differentials between peak and off-peak fares'. This same spirit prompted a suggestion the following year to 'investigate the social costs imposed by alternative means of transport, in particular heavy road traffic, in order that taxes and vehicle licence duties can be distributed more equitably'.

## Roads

The energy crisis has sharply devalued the private car, and the environmental effects of yet more roads in heavily populated areas are disastrous. Already, in September 1968, the Party's Assembly resolved to

'launch a full scale attack on:

a *congestion*, by:

- i outlawing parking of heavy vehicles at night where congestion and inconvenience is caused;
- ii obliging very heavy or bulky loads to travel at night where possible;
- iii strengthening legislation to prevent traffic moving at an unduly (or unnecessarily) slow speed;
- iv introducing a uniform system of signposting;
- v carrying out minor road works on major roads at night;
- vi introducing a national route map indicating routes forbidden to heavy vehicles;
- vii establishing traffic-free shopping roads in all areas;

b and on *road danger*, by:

- i fitting anti-jackknife devices to all articulated lorries;
- ii fitting all goods vehicles over 5 tons with air brakes;
- iii putting persistent operators of sub-standard vehicles out of business;
- iv extending quality controls to all vans and lorries, whatever their weight.'

The price of oil has now quadrupled, and it is of great urgency to save fuel in transport. This means the substitution of buses for cars, a thing that is so bound up with regulation and planning that it cannot be left to the effect of the higher price alone. As Mr. Tope put it in July 1973, even before the energy crisis:

'We need a balanced national transport policy geared to promoting public transport and to restricting the use of the car in city areas. I welcome the suggestions on how to achieve that. If we are to survive—and I mean "survive"—in urban areas, we must recognise that the future lies in providing a cheap, frequent and convenient public transport service. . . .'

It may not be necessary to ration petrol, since it is an unavoidable by-product of the fuel oil that we need for electricity generation—for coal will alas be short for some time. But the proportion of this by-product can be changed, and petrol can be exported. So Liberals favour as a minimum:

- a vehicle tax on private cars differentiated by fuel consumption ;
- severe restraint on the use of cars in cities ;
- government support for research into petrol-saving technologies.

### **Road Traffic Act—Royal Assent 31st July 1974**

The latest Road Traffic Act finally completed its passage through Parliament nearly ten months after its ill-fated predecessor was first introduced by the last Conservative Government.

The clause which would have given the power to make the wearing of seat belts compulsory—unexpectedly rejected earlier by the Lords—failed.

Another proposal was to remove the power of magistrates to impose gaol sentences on serious motoring offenders. Instead, the Bill substantially increases the maximum fines for a large number of offences.

However, after representations Mr. Alex Lyon, Minister of State at the Home Office, agreed to a concession. Magistrates will now retain the power of imposing up to four months' imprisonment for offences of dangerous and reckless driving and for drunken driving, but now gives the Government powers to experiment with speed-limiting road humps, ('sleeping policemen').

Mr. Mulley, Minister of Transport, said on 18th June 1974:

'Britain's roads will be built to a lower standard in future and will be more crowded. Some dual three-lane roads would become dual two-lane, some roads which would have been dual-carriageways would be single. The object is to save money and land.

Much less would be spent on new trunk roads (£213 million at 1973 prices, compared with £222 million at 1972 prices) and the amount in real terms would continue to fall, he said. But the objective of a network of 3,100 miles of high quality roads by the early 1980's remained with particular emphasis on the needs of heavy lorries'.

### **Third London Airport**

The Council resolved in February and May 1971 as follows:

'This Council of the Liberal Party calls on Her Majesty's Government to examine the present siting and use of international airports in the United Kingdom and future needs for such airports. It deplores the shortsightedness of assessing airport needs simply in relation to London and urges that expansion of international airport facilities should be concentrated outside South-East England. It affirms that, wherever possible, future major airports

should be sited away from populated areas so as to minimise damage to the environment. . . .

This Council of the Liberal Party welcomes the decision of H.M. Government not to build a third London Airport at Cublington, but regrets the selection of Foulness (Maplin) as the site, before a national policy for airports has been produced'.

The Party recognised the energy crisis before it was upon us. The Council in July 1973 declared '*its opposition to the proposal to build an Airport and Docks at Maplin*' and drew attention to the following matters: This government has sensibly bowed to the opinion and cancelled the project, since;

- 1 A growing body of informed and responsible opinion that a third London Airport is not necessary.
- 2 Investment in the Designation Area of the order of £1,000,000,000 would only have made acute the problems of an already congested region and resulted in a tragic diversion of resources from regions in great need.
- 3 The use of the mouth of the Thames by fleets of large tankers creates unacceptable dangers and pollution hazards in the English Channel and on the South East coast.
- 4 The shortage of fossil fuels will become acute within a few years of the projected operational date of the Airport, putting in serious question the volume of air travel which it was designed to accommodate.
- 5 The misconceived siting of the Airport would have required extensive building of new road and rail communications, causing disturbance and hardship to be widespread'.

Again in June 1973 Mr. David Steel M.P. said:

'It is significant that the Civil Aviation Authority has said that it would be perfectly possible to extend the capacity of the existing London airports for all foreseeable needs beyond 1985. . . .

What is more, taking into account the studies of Mr. Flowerdew and Professor Alan Day on the dramatic decrease which will inevitably be achieved in noise levels at Heathrow and Gatwick, we can see that all the argument advanced to us over the years in support of the case for a third London airport—in other words, the case for Maplin—has virtually been eroded.

Since the environmental grounds have shifted, since the development of less noisy aircraft and less noisy engines is now upon us, since the aviation grounds for the original decision have shifted with the development of both the wide-bodied aircraft and of the view among the airlines that they do not want to go to Maplin anyway, and since the economic grounds also have shifted, with greater emphasis now on regional development and the Government's attitude towards the Channel Tunnel, the Government must reflect again on the basic wisdom of their decision'.

## Maplin

Cancelled 18.7.74. The Committee established by the Government to advise Mr. Shore, Secretary of State for Trade, concluded that London's existing airports can cope until 1990 without Maplin.

Of the capacity of just over 100 million passengers envisaged by the four airports by 1990, Heathrow would take 53 million, Gatwick 25 million, Stanstead 16 million and Luton 10 million. The cost of development of Maplin would be £400 million (for a two-terminal, two-runway airport, including a

high-speed rail-link over the 50 miles to London, £115 million at Heathrow, £70 million at Gatwick, £110 million at Stanstead and £70 million at Luton.

The committee told the minister that there were likely to be fewer major technological changes in aircraft over the next decade than there were over the past twenty years, but there would be a continuing emphasis on quietening aircraft still further, on increasing aircraft size and on reducing operating costs. But the number of passengers determines the number of airport employees, and this in turn determines the need for housing, schools, roads, and so on. In the next sixteen years, according to the research paper, the number of employees dependent on the airports could go up from 60,000 to 89,000 at Heathrow, from 9,200 to 30,000 at Gatwick, from 2,500 to 10,000 at Luton, and from 1,700 to 12,000 at Stanstead. Add wives, husbands and children, and you have to find space for a substantial extra population where every acre of countryside is valuable.

### **Concorde**

Though a stunning technical success, Concorde is, to say the least, hard to sell. In March 1973, Lord Avebury demanded the scaling down of output. Today, with the cost of aircraft fuel more than double what it was last year, and further expensive modifications to the aircraft being proposed, the Party demands a freeze on nearly all expenditures. Concorde is not, however, an environmental disaster over water and desert, nor will it necessarily be too noisy for ever. Supersonic travel will surely come, and Concorde cannot be scrapped at this late stage with the British Government's contribution having already reached £1,000 million. (*The Times*, 31st January 1974.)

Thus Liberals generally welcomed the pruned Concorde programme announced as being realistic in the circumstances.

The decision reached during talks in Paris on 19.7.74 between Mr. Wilson and President Valéry Giscard d'Estaing in effect must mean the steady run-down of the Concorde programme, with a final halt about two years from now.

The agreement provided for the building of no more than the scheduled sixteen supersonic aircraft for which only nine firm orders and six options have been received. Two of the sixteen aircraft are already flying and parts for all the remaining fourteen aircraft are moving into the final assembly stage.

### **Urban Traffic and Congestion**

The 1963 Assembly suggested the following measures:

- 'Radically replan city traffic in order to:
  - i remove through traffic from city streets;
  - ii create shopping centres with pedestrian and parking precincts;
  - iii investigate ways and means of relieving congestion in peak-hour travel and parking and, in particular, encourage the staggering of working hours'.

The 1972 Assembly added:

- i severe limitations on the access of private vehicles to designated areas of city and town centres;
- ii the provision of adequate car parks on the periphery of the designated areas;
- iii the provision of a frequent, convenient and *fares free* public transport service within the designated areas.

Legislation should also be initiated which would allow Local Authority control of tariff rates, for all publicly available parking facilities. This would

allow high rates for all-day parking down-town, so that restraints aimed at the commuter could be more adequately enforced.

### **The Place of Railways**

The Party Council resolved in November 1972 that:

- i British Railways make a full statement denying plans for further branch line closures;
- ii country wide action be taken to investigate the need for new branch lines;
- iii increased incentives be introduced to encourage all suitable freight to travel by rail and to persuade commuters to use rail services;
- iv transport be recognised as a social service particularly in rural areas, and be subsidised accordingly;
- v the true cost of rail services be used in assessing their feasibility including environmental factors, social necessity, etc.'

### **The Railways Act—Royal Assent 31st July 1974**

The Railways Act ostensibly provides British Rail with some £1,500 million over the next five years to develop an effective railway network together with nearly £500 million for B.R.'s under-funded pension scheme and nearly £200 million for a capital write-off. But Transport Minister, Fred Mulley, who took over a Bill devised by his Conservative predecessor, John Peyton, was by no means as generous as he seemed. He has done little more than legitimise payments that would have had to have been found anyway to meet the railway's forthcoming and unavoidable deficits.

While the Bill at least confirms that Britain is to continue to have a nationwide railway system and not one hacked back until only the skeleton's spine is left intact, it does nothing to provide the funds for modernising the railways, which even the last Conservative Government, after initial doubts, had ultimately agreed to provide.

It is not so much a policy as a rescue operation for an organisation whose activities appear now to be unhealthily out of the control both of its management and (as represented by Parliament) its proprietors. While the blanket subsidies the Bill proposes in place of specific ones the railways now receive are subject to some limits, they have an elastic look that suggests that what is really being proposed is a return to open-ended subsidy.

### **The Channel Tunnel**

The Party approves of the 'rail only' proposal. Not only is this much cheaper, saving approximately £240 million on the projected total expenditure of nearly £1,000 million, but it preserves Kent and South East London from a flood of motor vehicles on a vast network of new roads.

'I am glad to hear from the Secretary of State that the Government are proceeding with the reintroduction of the Channel Tunnel Bill and to read of the promise made by the Right Honourable gentleman that he is to consult more fully with the British Railways Board. We on the Liberal bench consider that a railway-only link has considerable merit, subject to the proviso that access points should be more widely distributed throughout the country and that there should not be one massive distribution area in Kent'.

*(Stephen Ross, Hansard, 3rd April 1974, col. 1,270.)*

### **Rural Transport**

Liberals recognise that rural transport services represent a special case in which

subsidy is in many cases inevitable. At the 1966 Brighton Assembly, delegates passed a resolution which dealt in detail with steps which should be taken to ensure that rural areas have an adequate transport service and that isolated rural communities are not deprived of essential transport links. The resolution reads:

'This Assembly of the Liberal Party:

- a recognises that the failure to plan and co-ordinate transport systems in the rural areas has led to:
  - i gross waste of resources (including excessive subsidies);
  - ii the provision of inefficient and inconvenient passenger and freight transport;
- b considers that greatly improved rural transport can be provided if services are re-thought and planned as a whole;
- c reaffirms that the Government should be prepared to subsidise public transport services in rural areas to meet social needs, where an economic return for such a service would be unobtainable;
- d recommends that the Ministry of Transport initiate forthwith (in collaboration with county councils and the existing regional authority) research studies of transport in rural areas with the following terms of reference:
  - i to map the whole existing movement of goods and services into, out of and within each sample area, and prospective changes in it;
  - ii to consider the pooling of all local services, including the postal service, into single co-ordinated freight and passenger systems, with joint depots and terminals, irrespective of vested interests;
  - iii to promote the redesign of vehicles for these purposes;
  - iv to consider changes in the present licensing system to allow more flexibility for small bus and freight operators and taxi services and special services such as school or work buses;
- e recommends that it be a statutory duty of:
  - i the county councils to review rural transport needs and prepare schemes for meeting them;
  - ii the Ministry of Transport and Regional Authority to promote such schemes by subsidies and the use of their licensing powers.'

### **Shipping**

Fred Mulley, Minister of Transport, announced on 18.8.74 that all ports 'throughout the whole coastline, including estuaries will be brought into public ownership. This plan is far wider than the Nationalisation Bill of 1970 which was concerned only with ports landing more than 5 million tons of cargo a year.

# STATISTICAL APPENDIX

## Environment

Table 1 Air Pollution

Unit	1951	1961	1963	1967	1969	1971	1972
<b>Emission of smoke and sulphur dioxide (United Kingdom)</b>							
Smoke							
Sulphur dioxide							
Million metric tons	2.42	1.56	1.44	0.97	0.85	0.65	..
"	4.77	5.53	5.92	5.55	5.82	5.64	..
<b>Smoke control orders in operation under the Clean Air Act 1956 (Great Britain)</b>							
Orders—individual years							
—cumulative		362	400	372	300	237	330
Acreage —individual years		766	1,320	2,501	3,134	3,543	3,873
—cumulative		102	114	118	100	99	136
Premises —individual years		170	305	653	850	1,022	1,158
—cumulative		473	552	585	455	371	545
"		902	1,614	3,488	4,415	5,041	5,586

Table 2 River Pollution

<i>England and Wales</i>							Miles
Non-tidal rivers							
1970	1972	Net change	Tidal rivers		Canals		
			1970	1972	1970	1972	Net change
<b>Chemical classification:</b>							
Unpolluted	17,000	17,279	+254	862	880	+18	706
Doubtful	3,290	3,267	-13	419	414	-5	601
Poor	1,071	939	-118	301	253	-3	136
Grossly polluted	952	832	-123	209	236	+10	103
Total	22,313	22,317	—	1,791	1,783	—	1,540
							1,545

Source: Social Trends, 1973



## Energy

**Table 3. Inland energy consumption: primary fuel input basis**  
Million tons of coal or coal equivalent

	Total	Coal	Petroleum	Natural gas	Nuclear electricity	Hydro electricity
1969	315.1	159.6	134.6	8.4	10.5	2.0
1970	327.9	154.2	145.7	16.0	9.4	2.6
1971	324.4	139.1	148.0	25.8	9.7	1.8
1972	327.6	120.9	157.5	36.7	10.5	2.0
1973	343.8	131.6	160.6	39.7	9.9	2.0

Source: *Monthly Digest of Statistics June 1974.*

### Estimated United Kingdom North Sea Oil Reserves

The table sets out the estimated reserves at 5th April 1974 of the ten fields declared commercial at the time and the other significant discoveries so far made, in the following three categories:

- i *Proven* those which on the available evidence are virtually certain to be technically and economically producible.
- ii *Probable* those which are estimated to have a better than 50 per cent chance of being technically and economically producible.
- iii *Possible* those which are estimated to have less than a 50 per cent chance of being producible.

The figures include the small amounts of liquid condensate at present being produced with gas in the southern North Sea basin and those which might be produced from the two gas condensate discoveries in the East of Scotland area.

**Table 4. Totals in millions of tons**

	Proven	Probable	Probable total	Possible	Possible total
1 Ten fields declared	895	165	1,060	100	1,160
2 Other significant discoveries not yet appraised	—	230	230	160	390
3 TOTAL from existing funds	895	395	1,290	260	1,550
4 Future finds from further work under existing licences	—	700	700	700	1,400
5 TOTAL from all finds under existing licences	895	1,095	1,990	960	2,950

## Probable Production Rates

The estimates made in the 1973 Report for Production in 1980 on information then available are shown below :

**Table. 5 Estimates of Production in 1980**

	Millions of tons Production in 1980	Reserves to be proved by 1975 to sustain forecast production level
i The five fields then declared commercial (Forties, Auk, Argyll, Brent, and Piper);	40-50	about 500
ii including other significant finds then made (Montrose, Josephine, Beryl, Cormorant, Thistle and Maureen);	50-70	500-800
iii speculative estimate allowing for discoveries in 1973-75 at same rate as in the recent past	70-120	800-1,300

*Source: Department of Energy, May 1974.*

## Transport

**Table 6 Passenger transport: resources**

	Great Britain Unit	1952	1961	1969	1970	1972
Railways:						
Routes open for passenger traffic	Miles	..	13,869	9,663	9,402	9,305
Passenger stations	Number	6,238	4,936	2,802	2,737	2,674
Rolling stock seating capacity	Thousands	2,625	2,384	1,351	1,348	1,296
Road: public transport—seating capacity	Thousands	3,800	3,800	3,840	3,820	3,787
Road: private transport—Private cars and private vans	Thousands	2,508	5,979	11,227	11,515	12,717
Percentage of households with regular use of:						
One car	Percent-ages	..	29	44	44	44
Two or more cars		..	2	7	8	9
Public roads—mileage						
Motorways	—	—	130	599	657	1,037
Trunk	—	—	8,248	8,338	8,373	8,332
Principal	—	—	—	20,215	20,245	20,359
Class	—	—	19,563	19,747	—	—

*Source: Monthly Digest of Statistics.*

## 13 INDIVIDUAL RIGHTS AND THE LAW

### Liberal Policy Aims

- 1 To improve police pay and conditions ;
- 2 To ease the burden on the police by establishing a traffic corps to deal with motoring offences ;
- 3 To preserve and extend civil liberties through a Bill of Rights ;
- 4 To bring the administrative machine under the control of the courts and extend the legal aid and advice scheme ;
- 5 To oppose discrimination on any grounds—race, religion or sex ;
- 6 To legislate to guarantee *equal pay for work of equal value*.

### CRIME AND THE POLICE

The crime rate in England and Wales returned to its upward pattern according to Home Office figures for the first three months of 1974. The main increase of 30.2 per cent was in the fourth most common offence—criminal damage—and the only decrease was in the category of sexual offences which dropped by 2.8 per cent compared to the same period in 1973. The Home Office would not draw any conclusions on the figures except to point out that the slight decrease in the annual figures for 1973 was the first fall for 20 years. The statistics for the last quarter of last year were rising.

Table 1:

	Offences Known	Detection Rate
1971	1,316,397	45.4%
1972	1,361,962	41.1%
1973	1,357,657	42.3%

Source: Home Office Criminal Statistics 1973.

Table 2:

	Criminal Statistics England and Wales
1973 (1st quarter)	323,793
1974 (1st quarter)	406,682

Source: The Times 3rd August 1974.

Note: Detection rate means the number of people charged not convicted.

The figures for the Metropolitan area show a similar increase in the crime rate but with a marked increase in the detection rate.

The Police Force is still severely undermanned. This undoubtedly has an adverse effect on the detection rate. The 1973 report of the Commissioner of Police of the Metropolis, said:

'At the year's end (1972), the Metropolis was 5,102 personnel short. Regrettably wastage continued at an even higher level through out 1973, and

the total of men and women lost to the force during the year was the highest wastage figure for 18 years. In spite of the utmost use of available recruiting sources, including a new full scale recruiting campaign, and notwithstanding a further substantial pay increase in September and the introduction in the autumn of a more favourable system of rent allowances, with effect from the previous January, the very heavy wastage rate was accompanied by a disappointing decrease in recruitment of both men and women.'

**Table 3. Indictable Crimes cleared up in the Metropolitan Police Area Principal Groups.**

Year	Crimes Known (All offences)	Clear up rate (as percentage)
1970	321,156	28.8
1971	340,360	29.4
1972	354,445	30.3
1973	355,248	29.8

*Source: Metropolitan Police Commissioner's Report 1973.*

**Table 4. Establishment and Strength of Police in England and Wales for ordinary duties (excluding Metropolitan police area).**

	1965	1968	1972	1973
Establishment	69,965	78,422	101,922	86,123
Strength	62,119	66,461	90,798	78,429
Vacancies	7,846	11,981	11,124	7,664

*Source: Report of Chief Inspector of Constabulary 1973.*

**Table 5. Establishment and Strength of Metropolitan Police 1973 (figures for 1972 in brackets)**

	Uniform	Men	Women
Establishment	22,654 (22,673)	—	—
Strength	17,531 (18,097)	16,997 (17,525)	521 (572)
Deficiency	5,123 (4,613)	—	—
	C.I.D.	Men	Women
Establishment	3,395 (3,376)	—	—
Strength	3,417 (3,343)	3,297 (3,257)	110 (86)
Deficiency	+22 (33)	—	—

*Source: Metropolitan Police Commissioners Report 1973.*

**Table 6. Recruitment (men only) in England and Wales excluding the Metropolitan Police Area**

Year	Joined	Left	Net Gain/loss
1969	5438	4671	+ 677
1970	5493	3977	+ 1516
1971	5903	3419	+ 4
1972	6081	3536	+ 2545
1973	5698	5267	+ 431

*Source: Report of Chief Inspector of Constabulary 1973.*

The position is in practice even worse than the manpower figures indicate because not only is there a net loss but each year experienced officers in mid-career are being replaced by raw recruits.

## Liberal Policy

1 Better pay and conditions must be introduced. As Sir Robert Mark said in a letter to the Home Office some years ago :

'It's simply a question of supply and demand : pay policemen most where they are needed.' As far as London is concerned the two most obvious remedies are more assistance with housing, and an adequate London allowance. But the position of the police must also be improved in the national salary scale.

Last year the Police Force embarked on a three to five year period of re-organisation resulting in larger units of operation and in turn in an improvement in promotion prospects for policemen at the expense of the disappearance of a small community based police force. Liberals would like to see a reversal of the trend towards larger and more distant units of administration and a return to the system of policemen on the beat—with a reduced area of patrol.

The Liberal Party Assembly at Southport passed a resolution on police in the community : This Assembly, concerned about the status of the police and the increase of vandalism, resolves :

That the practice of withdrawing local police stations and policemen from rural and urban communities should be reversed ;

That policemen on the beat can be effective only if the area patrolled by each policeman is substantially reduced ;

That vandalism and associated social problems must be combated not only by the preventative presence of policemen with close involvement in the local community but by vigorous expansion of facilities for the young in both rural and urban communities, and by sensitive planning policies which guarantee the retention of neighbourhood communities and which aid the emergence of community consciousness in redevelopment and overspill areas ;

That local 'watch' committees be set up in each police division, comprising councillors, magistrates, teachers, youth workers and individuals from the community ;

That support be given for better pay and conditions for police so as to attract more and better officers, thus enabling the police to develop its preventative and social role.

Moving the resolution Councillor Ronnie Fearn said :

'The status of our police force depends perhaps more than any other public service on its success rate, for there are very few people in our society whose lives are not affected, to some degree, by the activities of the police ...'

Unfortunately, recruitment, conditions of work and remuneration within the police force have not improved in anything like the same proportion to the demand for better services.'

2 In February 1967, a Liberal Party Council resolution recognised that one of the reasons for the deterioration in the relationships between police and public was the involvement of the police in prosecuting otherwise law abiding people for motoring offences which were not criminal in nature. The Council called on the Government :

a to create a force under the Chief Constables to be known as the Traffic Control Force to deal with traffic control and the enforcement of road discipline ;

- b to create Traffic Courts separate from the Criminal Courts, empowered to deal with all breaches of traffic discipline except dangerous driving, killing by dangerous driving and driving under the influence of drink and drugs;
- c to create a single criminal offence of culpable driving to cover the excepted offences referred to in paragraph (b) above shall be tried in the Criminal Courts;
- d to re-create the Police Force as it was originally intended for the keeping of the peace, the detection of crime and the protection of the public.

*25th February 1967.*

- 3 Clerical police duties should be undertaken by civilian labour.
- 4 Complaints by the public against the police, and serious disciplinary charges should be heard by an independent tribunal. In 1969 Eric Lubbock Chairman of the Parliamentary Civil Liberties Group together with 160 M.P.s including several Liberals signed a motion urging the Home Secretary to amend the complaints procedure. A working party was set up by the then Home Secretary Robert Carr. The Working Party reported in March of this year. In July Roy Jenkins announced that he would be drawing up legislation, after consultation with the police service and authorities, to change the procedure along these lines:

Initial complaints will continue to be made at police stations and investigations will be carried out by the police. But an independent Statutory Commission will be set up with a full time staff.

In the event of a serious complaint, the staff of the Commission will advise the Chief Constable whether there ought to be disciplinary proceedings or whether in cases such as rudeness, for example, the Chief Constable should decide for himself how to deal with it. The complainant can appeal if he feels that there should have been disciplinary proceedings where none have been held.

There will be two types of disciplinary hearings. In some less serious complaints the Chief Constable will hear the case; in the more serious cases there will be a three-man tribunal consisting of two commission members and the Chief Constable. The punishment will be decided by the Chief Constable in consultation with the other members of the tribunal.

- 5 Criminal Bankruptcy. Liberals pioneered the idea of criminal bankruptcy in a resolution passed at the 1966 Assembly. This proposed that the Courts should have the discretion to adjudicate a convicted person bankrupt. The assets of the person convicted could then conveniently be made available to pay his creditors including those whom he had injured or robbed. Dr. Michael Winstanley moved the insertion of a new clause to this effect to the Criminal Justice Bill in March 1967. It was withdrawn after the Home Secretary had assured him that the problem would be considered. The Criminal Justice Act 1972 included provision for criminal bankruptcy.
- 6 Rehabilitation. Prisoners should be paid more for work which they do in prison so that they can help support their families and have some savings to assist them when they are free. Liberals welcome the recent initiative of the T.U.C. which is to send a delegation to the Home Secretary to discuss the possibility of paying union rates to prisoners working in prison industries. This will enable prisoners to make restitution where possible, and to provide for their own future.

## 7 Capital Punishment

In a debate on public safety and the decline in respect for the law in the House of Commons on 25th July 1974, Sir Keith Joseph said that the Tories would consider bringing back the death penalty for terrorism i.e., an act of indiscriminate violence on the State or an act of war in a time of peace. Liberals are not in favour of capital punishment; and voted for its abolition on the 2nd Reading of the Murder (Abolition of the Death Penalty) Bill on 21st December 1964 and again on 16th December 1969 when the measure was made permanent. Figures for the number of murders committed does not seem to indicate that their incidence is affected by changes in the nature of the punishment; capital punishment does not act as an efficient deterrent.

### Incidence of Murders known to the Police in England and Wales

1962	129	1967	154
1963	122	1968	148
1964	135	1969	118
1965	135	1970	135
1966	122	1971	173

Source: Parliamentary Question 15th May 1973 Column 280.

Liberals would oppose the re-introduction of the death penalty even for acts of terrorism. Speaking in the debate on 25th July 1974 Christopher Mayhew said:

'There was no evidence either that the abolition of capital punishment led to an increase in homicide or that the reintroduction of it would do anything to lessen it. The case in justice for re-introducing capital punishment for terrorist murder was strong. The same fanaticism which promoted these criminals to their ghastly outrages made them indifferent to their own fate and made them even glory in what they thought to be the martyr's crown. From that point of view he could not think it was an effective deterrent to the terrorist type of murder.'

*Times Report 26th July 1974*

## THE LEGAL SYSTEM

### 1 The Bill of Rights

In a society which is moving towards greater centralisation, increase in bureaucracy and a general erosion of the rights and freedom of the individual it is vital that these rights should be stated in a series of general rules which the Courts can apply universally. This the Liberal Party has done.

The Liberal Bill of Rights was first introduced under the 10 Minute Rule on 22nd July 1969 in the House of Commons and was given a Second Reading. Its provisions are no less relevant today: the demand for a Bill of Rights was included in the 1973 Assembly resolution on the Machinery of Government. The Bill prohibits discrimination on the grounds of race, religion, sex or national or social origin. It confirms the right to a fair trial and the freedoms of opinion, religion, assembly and association. Other clauses include the following points:

- i The right to marry, the right to education, the right to privacy. No one shall be required to supply information about their personal, family, financial or other private affairs unless they are told the purpose for which the information is required and a written copy is supplied to them. Information supplied shall not be used for any other purpose without their consent.

- ii The right to a just reward for work ; the right to leisure.
- iii No person shall be refused membership of a trade union without just cause ; no one shall as a condition of employment or continued employment or otherwise be compelled to join or shall be prevented from joining a trade union.
- iv The right to a fair trial. No law shall impose retrospective liabilities or obligations on any person.
- v The right of every U.K. and Colonies citizen to a valid passport. Passports are the property of H.M. Government and may be withdrawn at will.  
Liberals would take measures to ensure that free legal advice is available to everyone who needs it by :
  - a Raising the financial level at which legal aid is available ;
  - b Extending legal aid to all tribunals ;
  - c Changing the rules so that a successful litigant can always recover his costs even if his opponent is legally aided. At present this only happens in exceptional cases.
  - d Establishing neighbourhood Law Centres administered by the Law Society and financed out of public funds in areas where there is a shortage of money.
  - e Setting up a Small Claims Court to deal with cases in contract and torts where the amount in issue does not exceed £100. The procedure would be informal ; the Courts would sit in the evening. Neither Party would be allowed legal representation and it would be the duty of the Court to ascertain the faults by questioning the parties, calling witnesses and examining the evidence.

## 2 Privacy: The Younger Report

In May 1970 the Labour Government set up a Committee under the Rt. Hon. Kenneth Younger with the following terms of reference :

'To consider whether legislation is needed to give further protection to the individual citizen and to commercial and industrial interests against intrusions into privacy by private persons and organisations, or by companies, and to make recommendations.'

The Committee reported in July 1972: its main recommendations were:

- i Protection against unlawful surveillance : a new offence would be created, punishable by imprisonment or fine.
- ii Protection against the disclosure of information acquired unlawfully. This is a new offence.
- iii New rules to prevent the taking of confidential information stored in computers in Government departments and elsewhere.
- iv Stricter review of personal information acquired by credit-rating agencies with the right of a citizen to know what the agencies know about him.
- v Banks are told to be more forthcoming in telling customers about inquiries made about their financial standing.
- vi Press T.V. and radio should be opened up to allow greater opportunity for members of the public to make effective complaint. The Press Council membership would be changed to recruit about half from outside the newspaper world.
- vii Students, too, could be protected by a code of practice on the use of their personal records.



### **Liberal Attitude**

The Liberal Party Assembly 1971 passed a resolution on privacy and data banks: This Liberal Assembly reaffirms its belief in the right of individual protection from arbitrary interference with privacy, family, home or correspondence. Recognising the threat to privacy posed by the development of data banks, this Assembly calls for:

- a the establishment of a Data Bank Tribunal with jurisdiction over both public and private data banks, with power to appoint auditors having the right of access to all information concerning the operation and protection of systems containing personal information; auditors would have the duty of making an annual report on the adequacy of measures taken against misuse;
- b
  - i each person about whom information is recorded in the data bank to be notified of his right to apply for a print-out at the time he is first included, and in the case of his present records at the time that the data bank is licensed;
  - ii any data bank wishing to use data supplied by a person for a purpose other than that which the owner specified at the time of collection should inform and allow time for the person concerned to object to the Data Bank Tribunal;
  - iii no information to be added to a person's record unless:
    - 1 supplied by the individual concerned,
    - 2 supplied by certain professional persons;
  - iv a print-out to be given at a cost determined by the Data Bank Tribunal, to any person on demand, of the contents of his data record, its sources and the names and addresses of those by whom it can be legitimately 'accessed' and the use they are allowed to make of it. The Data Bank Tribunal to rule, on request, whether any information is incomplete, inaccurate or no longer relevant;
- c the theft of information obtaining it by false pretences, and receiving it by false pretences, and receiving it knowing it to have been stolen, to be treated as offences equivalent to those relating to property;
- d the compulsory registration of credit agencies, private detective organisations and security companies to ensure full control and limitation of their activities. Noting the increasing use and sophistication of private surveillance techniques, Assembly calls for a concerted campaign by all Liberals to focus public attention on the threat posed by the present drift towards the data bank society.

Liberals welcomed the findings of the Younger Report and would like to see its recommendations implemented. The Consumer Credit Act introduced at the end of 1973 which received the Royal Assent on 31st July 1974 did contain clauses which impose a duty on a credit reference agency to disclose filed information to the individual concerned.

On 6th June 1973 Lord Byers initiated a debate in the House of Lords to discuss the Younger Committee's Report. Lord Byers was himself a member of the Committee.

### **3 Criminal Law Revision Committee Report 1972**

Liberals are opposed to the findings of this Report. The 1972 Assembly passed a resolution on this subject:

"This Assembly, disturbed at the report of the Criminal Law Revision Committee which would increase the danger of conviction of the innocent, condemns the Committee's proposals :

- a to abolish the right of silence of suspects during interrogation and in court ;
- b to admit evidence of previous convictions ;
- c to admit hearsay evidence under certain circumstances.

Further, this Assembly views with alarm the total lack of reference to the right of suspects to have their solicitors present while being questioned, and advocates the establishment of examining magistrates to take any statement made by an accused person or to record his refusal to make a statement. In view of the importance of these proposals and the weight of informed opposition to them, this Assembly urges the Government to allow an adequate period for consideration of the report before making a decision on them.'

Lord Foot, speaking in the debate on the Report, said :

'it seems to me that the proposals constitute a serious breach in those two propositions or principles which have so long been a national part of our legal system. Those two principles are intertwined ; the principle that the prosecution must prove its case, and it is not for the accused to prove his innocence, and the principle that a man cannot be convicted as a result of the fact that he remains silent at some stage of his trial.'

*(House of Lords, 14th February 1973, col. 1,597,—1,603.)*

As a general rule the citizen has no remedy at law for injury caused to him by maladministration, whether by national or local government.

Liberals would introduce a new right of action for maladministration so that people who suffer injury from arbitrary or incompetent decisions of local or national government can recover compensation in the ordinary courts. This will provide an essential and reliable safeguard against the abuse of power. There are various administrative controls currently in existence ; the ombudsman, tribunals, public enquiries, but they are not adequate.

The ombudsman at present has no jurisdiction over local authorities, although the recent Local Government Bill (which Liberals supported) did propose to set up Local Government Ombudsmen. The ombudsman has no powers over the actions of police and the nationalised industries, for which ministers are not directly responsible to Parliament. He has no jurisdiction over diplomatic, foreign and colonial affairs, extradition, crime, state security, the administration of justice, and Civil Service personnel matters.

Even where the ombudsman does have jurisdiction, he cannot alter departmental decisions or award compensation. All he can do is to suggest an appropriate remedy. Because complaints cannot be referred to him except by an M.P. he often comes too late upon the scene. Because he works essentially within the administrative system he is not sufficiently independent of it.

The proposed right of action will be open to anyone who has suffered loss in consequence of maladministration. The High Court will have the power to award damages against the relevant authority, but not against the individual responsible. There will be power to issue injunctions, and to refer the decision back to the authority for reconsideration. The Court will have the power to exempt witnesses from the provisions of the Official Secrets Acts and to hold proceedings in camera where necessary. Only limited categories of Crown papers will be protected from disclosure.

## **Protest**

A distinction must be made between legitimate protest, which the Liberal Party

supports, and the resort to violence which Liberals condemn. In a pamphlet on Law and Order published during the 1970 election campaign, the joint authors, Lord Wade and John MacDonald, wrote:

'The debate over law and order has become unnecessarily confused by mixing up the prevention of crime with the containment of protest. Peaceful demonstrations are a part of our liberal heritage and a valuable means of expressing dissent. The crux of the problem is not whether there should be protest but the form that protest should take . . . we do not live in an ideal society and freedom to demonstrate must be regarded as an extension of freedom of expression of opinion. Britain has a long history of demonstrations, ranging from the Chartists to the suffragettes, from the protestors against mass unemployment in the 'twenties and 'thirties to the campaigns for nuclear disarmament'.

### **Forced Feeding**

Liberal Party spokesman on Home Affairs, Alan Beith, issued a statement condemning this practice and calling for an enquiry into its use:

'I am convinced of the need for an enquiry as a prelude to a clear decision on the future of forced feeding. I believe it is an outdated relic of the suffragette era and should be abolished. But I recognise that it would be better to have a proper review of the practical and moral aspects of the case and to collect the views of the prison officers, prison doctors and the public before coming to a decision on the future of forced feeding.

'In the case of the Price sisters it proved impossible to continue it and it is just as likely to create martyrs as leaving them to starve'.

On 17th July 1974 Roy Jenkins issued a statement which Liberals welcomed to the effect that forced feeding would be abandoned except for the mentally ill.

### **Censorship**

The Liberal Party Council passed the following resolution on censorship at a meeting held in Leeds on 28th July 1973:

'This Council views with concern the activities of puritanical pressure groups and Conservative Members of Parliament including the Havers Committee, who wish to introduce legislation to limit freedom of expression in literature, the theatre, the cinema, painting and other art forms by imposing new and more restrictive definitions of what is obscene, shocking or offensive. It also views with alarm any attempt to limit philosophical or political expression of opinion that might be construed by some as giving offence, creating a new awareness or upsetting widely held views. In a free society there should be room within the law for many views of life, codes of conduct and codes of morality and ethics. While fully accepting that what is acceptable to one individual or group may be unacceptable to another, a Liberal democracy requires the tolerance of minority views and believes that the individual may censor himself but should not be censored by society. To think and behave differently is a basic civil liberty on which progress and human happiness depend and history has proved the many ways in which censorship can justify or lead to despotic political regimes and the protection of those who use censorship to cover up their own misuse of authority.

'This Council believes that the issues of censorship go very deep and must be further debated but that under no circumstances should harsher or more illiberal legislation be introduced. Rather, existing censorship should be

examined to see where it can be abandoned and the many experiments and researches undertaken in other countries should be examined to see where they might be relevant to Britain'.

## THE STATUS OF WOMEN

### Women at Work: Equal Pay

Nine million women are in paid employment in the U.K.; about 36 per cent of the total work force of approx. 25 million (February 1974 figures). 56 per cent of all women aged 15-60 are at work; nearly two-thirds of them are married; four-fifths work full time. About 2 million women—22 per cent of the total membership—are in trade unions affiliated to the T.U.C. Minimum rates for women workers tend to be set at around 70-90 per cent of the corresponding male rate.

#### *Median earnings of full time, adult men and women, April 1973*

(men aged 21 and over and women aged 18 and over, whose pay was not affected by absence)

Men £38.4 per week; Women £20.9 per week.

*All figures for Great Britain. Source: Dept. of Employment Gazette, Feb. 1974.*

The Equal Pay Act 1970 received the Royal Assent on 29th May. The Act contains measures for ending discrimination in all terms and conditions of employment by the end of 1975. It has three main elements:

- 1 Section 1 requires employers to give equal treatment where men and women are engaged on broadly similar work in the same establishment, and where a woman's job has been rated by job evaluation as equivalent to a different job done by men.
- 2 Section 2 sets up an enforcement procedure and redress against discrimination will be available to individuals by means of the industrial tribunals set up in 1965.
- 3 Section 3 covers discrimination in collective agreements and in employers' pay structures and provides for the elimination of men's and women's rates as such. The Industrial Court may declare that men's and women's rates attaching to any single class of work are to be equalised and that any rate applying specifically to women should be raised to the level of the lowest men's rate in the agreement.

The cost of implementing the Equal Pay Act was estimated by Mrs. Castle as 3½ per cent of the total wage bill (£700 million) over five years.

### Liberal Policy

For many years the Liberal Party has supported the principle of equal pay for work of equal value. This is the definition of equal pay used by the International Labour Organisation in its Convention 100 of 1951. But the Equal Pay Act does not use this definition throughout: the Labour Government rejected the general use of the definition equal pay for work of equal value on the grounds that this was an abstract concept, difficult to enforce at law. But unless this principle is established equal pay legislation becomes far too easy to evade. As Russell Johnston said in a speech in his constituency in February 1970:

'If the definition of equal pay is for the same or broadly similar work employers will undoubtedly do all they can to establish that the jobs in which they employ women are distinct and not comparable to men's jobs. This will enable them to justify continuing to pay women low wages and it will also

make the line between accepted women's work and accepted men's work much more rigid at just the time when we should be seeking to integrate them into one common labour market'.

Liberals would like to see:

- 1 An absolute prohibition of different base rates for men and women in collective agreements.
- 2 The rejection of the definition of equal pay for the same or broadly similar work, and the acceptance of the term for work of equal value.

## **ANTI-DISCRIMINATION PROPOSALS**

### **The Tory Record**

The Conservative Government published a Consultative Document 'Equal Opportunities for Men and Women' in September 1973 which outlined its plans to outlaw sex discrimination in employment, training and education and proposed the creation of an Equal Opportunities Commission to act as watchdog and to instigate general investigations into discrimination. It also suggested that certain occupations should be reserved for one sex including the Church, certain police grades, the prison service and employment in private households.

### **Liberal Reaction**

The Liberal Party welcomed the Government's intention to legislate against sex discrimination in employment and to separate enquiry and conciliation from the machinery of enforcement but regretted the Government's failure to provide an effective means of enforcing the anti-discrimination provisions. The Liberal Party called for:

- 1 Power for industrial tribunals to make general orders covering a whole class of cases, where discrimination in employment has occurred; the provision that 'test cases should normally ensure that the effects were of wider application' is not strong enough.
- 2 Replacement of the 'unit within the Department of Employment' proposed by the Government by an independent Sex Discrimination Board to act where necessary in individual cases and to plan the wider strategy of legal enforcement.
- 3 A directive to the Equal Opportunities Commission to give the same priority to the investigation of individual firms and organisations as to industries or professions. In addition Liberals call for:
  - a The right of trade unions and voluntary organisations to bring complaints of discrimination to industrial tribunals and for a Government grant in aid of this work by voluntary organisations.
  - b The removal of blanket exceptions from the law. The existence of a 'genuine occupational qualification' justifying an exception must be proved case by case.
  - c Substantial penalties, in addition to compensation payments, for violation of the law.
  - d Clear provision for paid maternity leave.
  - e Equal social security and occupational pensions for all men and women matched by an equal duty to contribute and the same flexible retiring age.
  - f The Conservative document had little to say in the field of education: Liberals condemned the Government's refusal to lay a legal obligation

to remove discrimination in education on the Minister of Education and local education authorities.

### **The Labour Record**

'Women and girls must have an equal status in education, training, employment, social security, national insurance, taxation, property ownership, matrimonial law and family law'. (*Labour Manifesto, February 1974.*)

In a statement in the House of Commons on 22nd July 1974 the Home Secretary gave a brief outline of his proposals for a Sex Discrimination Bill. It will apply to employment, education, housing, the provision of goods, facilities and services to the public. The Bill provides individual civil remedies for victims; employment complaints will be dealt with by industrial tribunals. Other complaints will go to specially designated county courts in England and Wales. An Equal Opportunities Commission with responsibility for enforcing the law in the public interest on behalf of the community as a whole will be set up. Its main role will be strategic: to identify and deal with discriminatory practices by industries, firms or institutions. It will be empowered to issue non-discrimination notices which could, if breached, be enforced through the civil courts. A White Paper setting out these proposals at greater length is to be published shortly.

### **Liberal Reaction**

Liberals greeted Mr. Jenkins' speech with qualified approval. Once again the whole field of taxation, social security and pensions have been omitted in spite of Labour's manifesto promises. Changes in these areas are long overdue. The Labour Government also proposes to exempt small firms from the law despite the fact that a high proportion of women work for such firms. Employers will still be allowed to discriminate where sex is a 'genuine occupation qualification'; unless this is very strictly defined it will be such a large loophole as to make the law meaningless. The use of county courts to deal with complaints of discrimination in any field but employment is undesirable since proceedings tend to be both expensive and slow. It would be more effective if all individual complaints went to special anti-discrimination tribunals with powers to award adequate damages.

## **LIBERAL POLICY**

### **The Liberal Anti-Discrimination Bill**

The Liberal peer, Baroness Seear, introduced an anti-discrimination Bill into the House of Lords in November 1972. The Bill would make illegal, and provide for the prevention of, discrimination on grounds of sex:

- 1 Employment. It would become unlawful to refuse employment on grounds of sex if a person is suitably qualified and once employed to deny them identical terms of employment, conditions, training, and promotion.
- 2 Advertisements which indicate an intention to discriminate in respect of employment would become illegal.
- 3 Discrimination 'against any person seeking to obtain training or education for which he or she is qualified or suited' shall be unlawful.
- 4 Discrimination by professional bodies, trade unions etc., shall become illegal.
- 5 The Anti-Discrimination Board. This would consist of a Chairman and not more than eleven other members to be appointed by the Home Secretary.

Half the members would be women. It would be the duty of the Board :

- i to receive and consider complaints of discrimination ;
- ii to make such enquiries as they consider necessary ;
- iii to endeavour to secure a settlement of differences between the parties concerned and to secure a satisfactory assurance against further discrimination by any party against whom a complaint is received ;
- iv the Board shall have the power to take legal proceedings against any contravention of this Act.

Instead of going on to become law the Bill was referred to a Select Committee which took evidence from various sources. The Government then announced that it would introduce its own anti-discrimination Bill and produced the Consultative Document to this end.

Speaking in the House of Lords Lady Seear said :

'For a long time we have lived with customary men's jobs and customary women's jobs ; and it is well known that the customary women's jobs with few exceptions are to be found at the bottom of the pile. . . . It is said that the root of the trouble is a matter of attitudes and that one cannot deal with attitudes by legislation. . . . It is indeed attitude that is at the basis of the whole problem. But I do not accept that legislation can do nothing to change attitudes. Legislation can alter behaviour, and the experience of changed behaviour can in itself change attitudes'.

(14th March 1972, *Hansard*, col. 334-344.)

The 1973 Liberal Assembly held a commission on the status of women which submitted a resolution to the Assembly. It incorporated all the main elements of Liberal policy on women's rights, many of which have been policy for some considerable time. As well as the point already mentioned it calls for :

- 1 Paid leave for either parent for absence due to a child's illness, and for those caring for elderly or disabled dependants.
- 2 Entitlement to a housekeeper's allowance under the Income Tax Acts where a person is solely responsible for children, elderly or disabled people.
- 3 A more flexible system of working hours including greater opportunities for part-time work.
- 4 The continued expansion of nursery schools and the provision of creche facilities at work where this is feasible.

### Education

Attitudes of discrimination are too often reinforced through our educational system. Liberals call for :

- 1 An investigation of curricula differences ; schools must encourage boys and girls to take what are considered at present unconventional subjects. There is no good reason why, for example, girls should be confined to domestic science and boys to woodwork.
- 2 Greater emphasis on careers guidance services to broaden the horizons of pupils when they come to choose a career.
- 3 A review of the system of student grants which are particularly unfair to married women students and to the unmarried mother who wants further education.

## 14 IMMIGRATION AND RACE RELATIONS

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### LIBERAL POLICY AIMS

- 1 To eliminate discrimination on the basis of race, colour, creed or sex;
  - 2 To allow all citizens of the United Kingdom and Colonies who are not members of any other community freely to enter this country;
  - 3 To allow immediate dependents to join immigrants living in Britain;
  - 4 To ensure that groups should be allowed to maintain their own traditions within the framework which ensures equal rights for all members of our society;
  - 5 To oppose compulsory dispersal or repatriation of immigrants;
  - 6 To take active steps immediately to alleviate the social problems that have caused racial tension.
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### Introduction

The Liberal Party regards freedom of movement as an important basic principle. Since 1965, however, it has recognised that the United Kingdom cannot adequately cater for all those people who might wish to come here. Accordingly, we have supported a system of regulation whereby immigrants are allowed to enter the country if they have an actual job waiting for them or if they possess particular skills which are needed in this country. We believe that our first obligation must be to those who have special claims upon us because of our past links with, and action towards them. These include citizens of both the old and the new Commonwealth, and especially citizens of the United Kingdom and Colonies. Our opposition to successive Immigration Acts has been because of the denial of these obligations implicit in each piece of legislation. The Liberal Party does not aim for the assimilation of all immigrants: not only can different cultures exist together in a multi-racial society, but we believe that they can also interact positively to create a richer and more tolerant community.

### 1 A REVIEW OF IMMIGRATION POLICIES AND PRACTICES 1945-1974

Before 1971, there were two separate systems of control of immigration; one applied to Commonwealth citizens and the other to aliens. In general, there was no statutory limit on the numbers of aliens entering the country, but their rights as residents were severely limited: for example, they were not enfranchised. For Commonwealth citizens, the reverse was true; strict controls were exercised on the numbers entering for settlement but only limited interference with their rights as British subjects. The 1971 Act attempted to combine the two codes to provide a framework of control for both categories. It drew a new distinction between those having the "right to abode" in the U.K., designated 'patrials', and those 'non-patrials' who do not have this right. This new



distinction, however, has cut right across the mosaic of definitions already in existence and made the situation even more confused.

### **1945-62**

The entry of *aliens* was controlled basically by the emergency provisions of the 1914 Aliens Restriction Act, which has been renewed annually from 1919. Amendments in the form of Alien Orders were made from time to time, principally in 1953 and also, in the post-war period, in 1957, 1960, 1964, 1970, but these did not alter the basic nature of the system of control. Before 1962, however, there were no controls on the entry of Commonwealth citizens into Britain and the post-1945 'immigration problem' was the entry of citizens of other Commonwealth countries.

### **The British Nationality Act, 1948**

This can be regarded as the root of Britain's post-war troubles, with the benefit of hindsight, it is clear that immigration and particularly Commonwealth immigration became an issue because, when the independence of India presaged the beginning of the end of our imperial role, we wanted to establish a continuing symbol of our colonialism. This was achieved through the creation of a category of 'British subjects' to cover citizens of all Commonwealth countries, with a right to free entry to the 'mother country'. The Act in fact divided British citizenship into citizenship of independent countries of the Commonwealth and citizenship of the United Kingdom and Colonies. Citizens in both categories remained 'British Subjects' but were also Commonwealth citizens, the two terms being interchangeable. Their status as British subjects gave them the right of free entry into Britain.

### **1962-73**

#### **The Commonwealth Immigrants Act, 1962**

This Act abolished the right of free entry but left intact the status of 'British subject'. The Act introduced controls on the entry for settlement of Commonwealth citizens and of United Kingdom citizens whose passports were not issued in the United Kingdom or by United Kingdom authorities in the overseas territories. The Act also provided for controls on the entry of citizens of the Irish Republic, although this provision was never implemented.

The history of this legislation has been well documented and needs no repetition here. Although not expressly discriminating on the grounds of colour and race, it aimed at, and effectively limited, the admission of coloured immigrants to Britain. Intending immigrants now had to obtain a Ministry of Labour employment voucher before being allowed entry. The rate of issue of vouchers varied from time to time: by 1964 they were being issued at the rate of 400 a week or 20,000 a year, of which 75 per cent were taken up. (It is significant that in the same year 19,211 aliens were accepted for permanent residence in Britain Home Office Official Figures). The Act also made provision for the deportation of any Commonwealth or Irish citizen subject to such control, if convicted of an offence punishable by imprisonment, unless he had been ordinarily resident in the U.K. for five years.

In 1965, following the White Paper *Immigration from the Commonwealth* the number of vouchers issued under the Act was fixed at 8,500 a year: the free admission of children over 16 but under 18 who were coming to join one or both parents was withdrawn, and qualifications necessary for receipt of a Ministry of Labour voucher were tightened.

### **The Commonwealth Immigrants Act, 1968**

This was designed to bring under control a group of mainly coloured citizens of the United Kingdom and Colonies who had not hitherto been subject to immigration control, because their passports were issued by the U.K. authorities. This involved breaking a pledge given to the East African Asians who had preferred to retain their British citizenship rather than take the citizenship of the new independent countries. The pledge was that they would enjoy an unfettered right of entry into Britain so long as they retained their citizenship of the U.K. and Colonies. By relying on this pledge many lost the right to acquire local citizenship in East Africa. Thus by introducing the 1968 legislation the Government created a group of 'second class' 'non citizen' citizens whose fundamental rights were denied. Only 1500 vouchers a year were issued to U.K. passport holders from East Africa although the Conservative Government doubled this in 1971. Further controls on immigration after entry were introduced and extended while the concession by which a male Commonwealth citizen could settle in Britain if his wife was already here was withdrawn.

### **The Immigration Appeals Act, 1969**

This extended to Commonwealth citizens the rights already enjoyed by aliens, of appeal against decisions affecting their admission to and residence in the United Kingdom. Once again, Commonwealth citizens were given secondary consideration after aliens. The Act also considerably strengthened the law covering deportation.

### **The Immigration Act, 1971**

This Act fulfilled the Tories' election pledge to bring together the separate systems of entry for aliens and Commonwealth citizens, but in doing so combined the worst features of both.

The difference in status between citizens of the United Kingdom and Colonies with full rights and 'second class citizens', the East African Asians denied free entry, was further emphasised in the new distinction between 'Patrials' and 'Non Patrials'.

### **Patrials**

Only patrials now have the right of abode in the U.K., that is they are free of immigration control. There are three categories:

- i Citizens of the U.K. and Colonies who were born, adopted, naturalised or registered as such in the U.K. or who are the children or grandchildren of such persons. (These people were exempt from control under previous legislation.)
- ii Citizens of the U.K. and Colonies resident in the U.K. at any time for a continuous period of 5 years. (Some of these people were exempt from control under previous legislation).
- iii A Commonwealth citizen who is the child or legally adopted child of a U.K. citizen born in the U.K. (This is an entirely new category of exemption). In addition a Commonwealth citizen who is the wife or widow of a patrial also has the right of abode.

### **Non-Patrials**

This category includes all aliens and most Commonwealth citizens who will require leave to enter this country and will continue to be governed by the entry provisions of the 1968 Act. In almost all cases entry will be given for a limited period only. For most Commonwealth citizens including the East African Asians the value of their citizenship is thus eroded still further. The only major differences in their treatment from that of aliens are that they retain the right to vote but will have to register with the Department of Employment, whereas aliens cannot vote and must register with the police.

### **Acquisition of Citizenship**

The existing automatic right of Commonwealth citizens to register as citizens of the United Kingdom and Colonies after five years residence is removed and they must now apply for citizenship in the same way as aliens. The deportation provisions are also extended to Commonwealth citizens and the Government has powers to contribute towards the expenses of the voluntary repatriation or migration abroad of all 'Non-patrials'. A Liberal amendment to the Act fortunately ensures that the new provisions do not affect the rights of Commonwealth citizens, already lawfully settled in the U.K., to register as U.K. citizens after five years and to seek employment without prior approval from the Department of Employment and without obtaining work permits.

So the Conservative Government extended one of the most arbitrary systems of immigration law to some of its own citizens and drew up in 'patriality' what is in effect a new definition of citizenship, thereby unilaterally renouncing an obligation to certain of our erstwhile citizens.

### **Declaration on Nationality**

Finally in negotiating our entry into the E.E.C., the Conservatives created a new grouping, having no status in law, not coinciding with United Kingdom and Colonies citizenship, not even the category of 'Patrials' created by the 1971 Immigration Act. Free movement in Europe, has been given to United Kingdom and Colonies citizens who are 'patrials' but also to a group of 'non-patrials'—United Kingdom and Colonies citizens in Gibraltar. This new grouping was created by the Declaration on Nationality of the Final Act of the Treaty of Accession which was not only signed without reference to Parliament but also runs counter to the E.E.C. stipulation that there must not be any discrimination between groups of nationals of member states.

### **Immigration Rules, 1972-73**

The statements of Immigration Rules for Control on Entry give practical effect to the 1971 Immigration Act and the Declaration on Nationality. The rules were laid before Parliament on 22nd November 1972 and rejected. They were subsequently re-introduced and approved on 21st February 1973.

### **The Grandparent Rule**

The significant difference between the original draft rules and those which were finally approved concerned the grandparent rule. A clause giving the 'right of abode' to all Commonwealth citizens who had a grandparent born in the United Kingdom had been removed from the 1971 Act with the support of members in all parties including Mr. Enoch Powell, for his own specific

reason in that he feared an influx of coloured immigrants if the clause was not expunged.

The rules introduced in November gave effect to this decision, and back-bench Conservatives, including Mr. Powell, realising that many white Commonwealth citizens from Australia and New Zealand, particularly, would also be excluded, now reversed their previous stance and voted to reject the rules for this reason.

The new rules re-introduced the grandparent clause thus, in the words of David Steel, M.P. 'seeking by executive action to reverse a legislative decision of the House'. (Official Report, 21st February 1973, Para. 600). Steel then went on to put the Liberal attitude: 'I do not believe that the criterion of having one grandparent born here establishes, in law, the principle of free entry for those with close family ties in this country . . . if one is seeking to give people outside the country a right of entry based on close family ties, it should be on a judgement of what family connections they have in this country. That ought to apply right across the board to members of any Commonwealth country.' He contrasted this generosity to the 8 million people thus admissible with the treatment of 247 heads of households in camps in Europe, whose wives and children are United Kingdom passport holders expelled from Uganda.

### **Husbands and Children of British Nationals**

At present husbands of British nationals, who are not themselves registered as British citizens are classed as non-patrials and have no automatic right of entry and their children are similarly regarded as non-citizens. This consequence of the 1971 Act has been attacked by both Labour and Liberal opponents of the legislation.

The new Labour Home Secretary, Mr. Roy Jenkins, was at first non-committal on action to remedy this situation. In reply to Parliamentary questions of 28th March 1974, he merely said: 'This is a real problem and there are cases of considerable hardship which I shall try to ease as far as I can by sympathetic administrative decisions . . . However, I have to consider the practical consequence as well as the problems themselves. I must tell the House . . . that where I too admit husbands on the same basis as wives, in my view it would lead to a substantial and continuing new wave of male immigration and particularly from the Indian subcontinent. I cannot dissociate the problem completely from the cultural tradition—which I do not seek to judge—of arranged marriages, but I must take into account the substantial effect upon the rate of immigration, anxious though I am to find an equitable solution' (*House of Commons, Oral Answers Col. 612 28th March 1974*).

Liberals have continually pressed for action to rectify this inhuman situation and on 13th June 1974 Lord Avebury introduced his Spouses (Equal Treatment) Bill in the House of Lords. The Bill sought to give to British women the same status as applies to British men. On 27th June, the Home Secretary declared that he was removing the ban on entry to non-national husbands of British citizens, consequently Lord Avebury withdrew his Bill.

### **Admission of U.K. passport holders.**

The immigration rules also exclude any reference to Government policy in the event of a mass expulsion of U.K. citizens such as happened in Uganda. In spite of being pressed on this point, the Conservative Government did not

supply an adequate answer, nor has the Labour Government so far commented on this possibility.

For this specific reasons, plus its overall opposition to the 1971 Act, the Liberal Party has consistently opposed the Immigration Rules.

### **Retrospective Application of 1971 Act**

During the passage of the 1971 Act, the Liberal Party in the House of Lords successfully moved an amendment to declare that nothing in the Act should affect the existing rights or adversely affect the status of Commonwealth citizens ordinarily resident in the U.K. prior to the Act coming into force. The intention of this clause was to prevent the Act being used retrospectively. On 11th June 1973, the House of Lords dismissed an appeal against removal of three immigrants who had entered the country clandestinely before the 1971 Immigration Act became law. This decision in effect confirmed the retrospective application of the Act by the Home Office and nullified the Liberal Amendment—in fact, the Liberal Amendment was not even mentioned in the Lords ruling.

The Lords ruling on Section 1 (2) of the 1971 Act which states that any person subject to immigration control may be regarded as ordinarily resident with unrestricted right of abode provided he has 'settled' in this country i.e. is not subject to any restriction on the period for which he may remain.

Section 33 (2) of the Act, however, declares that no person may be regarded as ordinarily resident with unrestricted right of abode if he is here in breach of the immigration laws.

Under the 1968 Act, it is an offence to land in this country without being examined by an Immigration Officer within 28 days. An illegal immigrant may be removed administratively without a deportation order, and the authorities have up to 6 months to do this following the expiry of the 28 days. In the case of one of the appellants, he was removed within the 6 month period and his appeal was dismissed on these grounds. In the other two cases the 6 months had elapsed and the question facing the Lords was whether the two appellants were still in breach of the regulations even though, to all intents and purposes, they were now ordinarily resident in the U.K. The Lords, in a majority opinion, decided that the two appellants were still liable to removal as illegal entrants under the retrospective application of the 1971 Act, even though the Act was not in force when the offences were committed and the period for removal had expired.

In effect, the Lords ruled that no person who had entered the country illegally was immune from administrative deportation by immigration officers.

Liberals vehemently opposed this retrospective application of the 1971 Act and the Liberal Peer, Lord Avebury, introduced a Bill in the House of Lords to 'remove the element of retrospection in the Immigration Act, 1971'. The Bill sought to ensure that no person would be detained or refused leave to enter or remain in the U.K. if he landed before 1st July 1972, and was ordinarily resident in the United Kingdom for any period of more than six months prior to 1st January 1973, when the Act came into force. Such people would thus be treated as ordinarily resident as soon as the period of prosecution had expired. The bill was refused a second reading in the Lords on 28th January 1974. It was reintroduced on 13th March (for the third time) and given a formal first reading.

On 11th April, Mr. Roy Jenkins, the Home Secretary, announced an amnesty for all those immigrants who entered the U.K. illegally before the 1st January 1973 when the Immigration Act came into force. These people were irremovable by administrative means until the law was changed with retrospective effect by the 1971 Act. Such people will now, on application to the Home Office and verification of facts, be given indefinite leave to remain. Their dependants will however only be admitted when they have obtained entry certificates in accordance with existing immigration rules. Those persons entering the country on or after 1st January 1973 when the Act came into force will still be liable to removal. Mr. Jenkins stated that the decision involves no relaxation of immigrant controls to allow freer immigration since those people concerned are already in the country and the numbers are in any case small. Last year 70 people were removed by administrative order.

Alan Beith M.P. on behalf of the Liberal Party reminded Mr. Jenkins of its abhorrence of retrospective legislation and that Lord Avebury on behalf of the Party had attempted three times in the House of Lords to introduce legislation to this effect. Although the Liberal Party would prefer to have the retrospective aspects expunged from the 1971 Act rather than merely being set aside in disuse by administrative decision—a future Home Secretary could still decide to make use of these powers—it is unlikely that Lord Avebury's Bill will now be pursued.

## APPENDIX

### The Pakistan and Bangladesh Acts

At the end of the civil war between East and West Pakistan, the independent state of Bangladesh (formerly East Pakistan) came into being. The state of Pakistan (formerly West Pakistan) then seceded from the Commonwealth and Bangladesh joined. As a result two pieces of legislation have been passed:

#### *Pakistan Act 1973*

Following Pakistan's withdrawal from the Commonwealth on 30th January 1972 the Act removes Pakistan from the list of Commonwealth countries in Section 1 (3) of the British Nationality Act of 1948, whose citizens are British subjects. Under the provisions of the new act Pakistani citizens become aliens and thus cease to be British subjects with the right of entry into the U.K. Transitional arrangements have been made however to ensure that Pakistani citizens can continue to qualify for citizenship of the U.K. and Colonies. Those who were ordinarily resident in the U.K. before 30th January can apply for British nationality when they have completed five years residence. However, at the time the Act was introduced, it was estimated that there were between 100,000 & 130,000 immigrants from the original Pakistan who had not registered as citizens of the United Kingdom and Colonies, this figure comprised between 60,000 & 80,000 from (West) Pakistan and between 40,000 & 50,000 from Bangladesh. These estimates do not include children born in the U.K.

The act dealt with the Pakistani citizens in four main categories:

- i Pakistani citizens living outside the U.K. who will only be able to come here on the same terms as other aliens and without the privileges of Commonwealth citizenship.
- ii Pakistani citizens (numbering about 45,000) who had completed five years residence here when the Act came into force, who have a grace period of twelve months in which to register as citizens of the U.K. and Colonies.

- iii Those who took up residence in this country before 30th January 1972 but had not completed five years' residence here by the time the Act was passed. These people also became aliens but, when they have completed their five years' residence, they also will have a grace period of twelve months to register as citizens of the U.K. and Colonies if they so wish.
- iv Those Pakistanis who came here after the date when Pakistan left the Commonwealth (30th January 1972). These people do not benefit from the special provisions of the Act in regard to registration. The same applies to those who acquired Pakistani citizenship after that date. It is, of course, open to any Pakistani citizen not covered by the transitional provisions, or who does not make use of them, to apply for naturalisation after five years' residence.

The Liberal spokesman Cyril Smith welcomed the Act, after suitable amendments in Committee but regretted the inadequate period of grace given for registration as citizens of the U.K., which expired on 31st August 1974, and asked that Pakistani doctors should be allowed to be fully registered by the General Medical Council and not merely be granted temporary registration.

#### *The Bangladesh Act, 1973*

This Act provided for the establishment of Bangladesh as an independent Republic within the Commonwealth, adding Bangladesh to the list of Commonwealth countries having separate citizenship under the 1948 Act. Thus persons who are citizens of Bangladesh also become U.K. and Commonwealth citizens. This includes those who are resident in Britain.

## **2 POLICIES IN PRACTICE**

The history of legislation cannot be considered in isolation from the actual facts of immigration. Much has been written about the pattern of immigration during this period, and the effect on the legislation passed and we will not attempt a comprehensive survey here. There are a number of points however, which are of critical importance considering the past in relation to future policies.

### **Migration Patterns**

First of all, for at least the last hundred years, Britain has experienced both emigration and immigration. In earlier times, there was heavy emigration to the Commonwealth countries, to Central and Southern Africa the continent of India and the U.S.A. From 1948 onwards there was an overall inflow of immigrants, from two main sources, Europe and the 'new' Commonwealth although immigration from the latter source did not begin in earnest until the early 1950's.

The introduction of controls over Commonwealth immigration in 1962 and the further restraints introduced since, fundamentally altered the pattern of Commonwealth immigration. Commonwealth workers could now enter only through a voucher scheme theoretically linked to Britain's labour requirements, but in practice working to slow down the number of immigrants from this source and hence the rate of settlement. Meanwhile the system of control over aliens remained the same and workers continued to enter from Europe limited only by existing aliens legislation.

The table over illustrates how the proportion of aliens entering the country for settlement rose steadily in relation to the number of Commonwealth immigrants settling here since controls were first introduced.

	Aliens		Commonwealth citizens		Total
	No.	%	No.	%	
1963	15,031	20	60,124	80	75,155
1964	19,529	26	55,582	74	75,111
1965	20,246	26	57,624	74	77,870
1966	18,984	27	51,328	73	70,312
1967	18,346	23	62,917	77	81,263
1968	20,093	25	61,538	75	81,631
1969	21,862	32	45,818	68	67,680
1970	20,917	34	41,081	66	61,998

It might also be noted that the official figures contradict the assertion that there was a 'flood' of immigration into the country during this period, and that in mid-1969 the number of coloured people in Britain was estimated by the Institute of Race Relations to be 1,185,000—that is 2.1 per cent of the total population.

In recent years, there has been a net outflow of people from Britain. Between 1964 and 1970 the net loss from Britain was 513,000 (*Source: General Register Office*). This figure does not include movement between the United Kingdom and the Irish Republic.

### Migration and the need for Labour

People move between countries for vastly different reasons, but there has always been a strong economic link between immigration patterns and the need for labour, in the past. In Britain, this has been evident in several developments during the period 1945-73.

A detailed study by Ceri Peach, reproduced in 'Colour and Citizenship' shows that, between 1955 and 1961, as the demand for labour in Britain rose and fell, so the number of West Indian immigrants rose and fell, with a three-month time-lag before the change in labour demand. The attitude of those recruiting to the labour force in this country has also been decided in the past by manpower considerations. Certain firms and organisations in Britain recruited workers directly from Commonwealth countries. The London Transport Executive for example, originally began recruiting staff in Barbados in 1956 and extended the scheme to Trinidad and Jamaica in 1966.

For the Barbados recruitment scheme, fares were lent by the Barbadian Government and recruits on arriving here were met and helped by Barbadian officials and London Transport Welfare officers. The total number recruited from the West Indies between 1956 and 1969 was 4,320; of these, 2,603 were recruited before the introduction of immigration controls in 1962.

This pattern was dramatically upset by the imposition of controls in 1962 which induced, in eighteen months, an inflow of immigrants almost as great as that of the previous five years. From 1962 onwards, the almost natural link between immigration and the need for labour has been replaced by artificial regulation through the voucher system. There are two categories of vouchers: Category A vouchers are issued to applicants for whom specific jobs are available, and are classified not by qualification but by the industry in which they come to work. Category B vouchers are issued to persons with special qualifications or skills which this country can use. 'Control of Immigration Statistics' show that Commonwealth immigrants are in a wide variety of jobs and are only slightly over-represented in industries such as textiles, clothing and construction. Figures for all immigrant workers produced by the Runny-



mede Trust however, show that they are distributed across industry in much the same proportions as the total work force.

These figures again disprove other widely held theories that immigrants distort the labour market and displace members of the indigenous community from certain jobs.

This short review has illustrated some of the trends which have taken place before and as a result of the implementation of past immigration policies. The fact that immigratory patterns have not critically distorted the labour market cannot be claimed as evidence of good government. Successive legislative measures have been based on no rational criterion save the intention of appeasing prejudice by further restricting immigration. The result is a contradictory mass of citizenship and nationality definitions which bear no resemblance to actual rights of entry and settlement.

### **3 A NEW DEFINITION OF CITIZENSHIP**

Anyone attempting to rationalise current immigration policy in logical fashion must inevitably grapple with the complex and confused problem of defining British citizenship. Such is the state of law at the present moment that the rights of citizenship no longer have any relevance to rights of entry to the United Kingdom or rights of residence, e.g. a Canadian may be a citizen of the Commonwealth, but because his grandfather was born and lived here he would be classified as a 'patrial' and have a right of residence. On the other hand, citizens of the United Kingdom and Colonies, whose forbears were not connected with this country, have no such right of residence. The 'Kenyan Asians' are an illustration of this particular problem. Thus British subjects without citizenship may under the 1971 legislation have a right of residence in this country which is denied to certain citizens of the United Kingdom and Colonies. Yet Her Majesty's Government takes full responsibility for all citizens of the United Kingdom and Colonies—as long as they remain overseas. This is a complete confusion between rights and categories of citizenship as required by international conventions on domicile, citizenship and rights of residence. To understand how this has happened it is necessary to look briefly at the policies of the Conservative and Labour Parties.

#### **Conservative Policy**

In the House of Commons debate on the new Immigration Rules appertaining to the 1971 Immigration Act, the then Home Secretary, Mr. Robert Carr, said that it had been his Government's policy to produce a 'single system of control applying to all immigration' (*Hansard, 22nd November 1972, col. 1358*). As we have seen, the present jumble of provisions stem from the 1948 British Nationality Act. To add to this confusion, however, the Conservative Government, by the 1971 Act, formalised the concept of 'patriality' which cuts clean across the mosaic of provisions already in existence.

In effect, there are now five kinds of citizens: citizens of the United Kingdom and Colonies who are patrials; citizens of the United Kingdom and Colonies who are not patrials; and finally Commonwealth citizens who were resident in the United Kingdom when the 1971 Act was passed. To these must be added the two kinds of aliens who will be seeking admission to the United Kingdom after 1st January 1973, those who are citizens of other countries of the European Community and those who are not.

This hardly accords with Mr. Carr's statement and has led backbench M.P.s such as Sir Derek Walker-Smith to ask that the Government 'give urgent consideration to a review of our whole citizenship law, which is a dog's breakfast'. (*Hansard*, 23rd November 1972, col. 1522.)

### Labour Policy

The most recent exposition of Labour Policy is contained in the 'Opposition Green Paper' on 'Citizenship, Immigration and Integration' (The Labour Party, 1973). In it there is tacit recognition of the failure of the policy pursued by governments throughout the 1960's and, in particular, by the Labour Government of 1964/70, in the 1965 White Paper 'Immigration from the Commonwealth' and the 1968 Commonwealth Immigrants Act.

The Green Paper contains many sentiments with which the Liberal Party could agree. For instance, it acknowledges the danger of advancing immigration control as a glib policy in itself: '... the notion that increasingly severe restrictions on coloured immigration would play a major part in reducing hostility towards the newcomers has proved false, since each move towards stricter control has led to a demand for even narrower exclusiveness, or for a complete ban on coloured immigration' (p.7). The document expressed the belief that 'it is possible to devise a coherent and acceptable immigration policy which is not based on the colour or race of the prospective migrant' (p.7), but makes very little contribution to the production of such a policy.

In their recommendations, the Group 'insist that the allocation of work vouchers should be made without regard to race or colour' (p.34), and details a complex scheme of eight main categories for entry to the United Kingdom, but these are not based on any articulated or discernible policy as to how immigration should be regulated. There are hints on this in the Report; past immigration control is criticized because 'there was no medium or long-term planning of labour supply or of adequate social provision for the newcomers (p.16), and the voucher scheme was 'apparently based on this country's need for labour but, in fact, designed to regulate ... numbers and so to slow down the rate of settlement' (p.11, *emphasis added*). It is clear that the failure to spell out a positive immigration policy is related to the Group's inability to deal with the issue of citizenship, for it states that:

'The British Nationality Act of 1948, by revising the traditional idea of citizenship, caused the complexities which have inhibited the development of a coherent immigration policy' (p.16).

But the Group has not been able to agree what to do about it, whether 'citizenship of the United Kingdom and Colonies' should be retained and given meaning, or whether 'the present system of combined citizenship should be abandoned; the remaining colonies should introduce their own citizenship provision; and there should be a separate U.K. citizenship' (p.33).

At the time of writing there has been no indication from the new Home Secretary, Mr. Roy Jenkins, of the Government's overall attitude to the 1971 Act.

### LIBERAL POLICY

#### A New U.K. Citizenship

We believe that a new United Kingdom citizenship should be based upon residence or domicile which is the basis both of political rights such as voting and obligations such as taxation.

In redefining citizenship, we recommend that the following groups of people should be included:—

- 1 All U.K. citizens born in or residing in this country. Marriage to or adoption by a United Kingdom citizen would also create an automatic right to citizenship regardless of sex.
- 2 Those non-resident citizens of the U.K. and Colonies deriving their citizenship from the British Nationality Act of 1948, who have no other citizenship and are not members of an existing colony, should also be regarded as full citizens. Likewise those people who previously held U.K. citizenship but who have since been rendered stateless would continue to be full citizens.

The numbers of non-residential U.K. and Colonies citizens who would be entitled to free entry under our new definition of citizenship are as follows:

Kenya	50,000
Tanzania	20,000
Zambia	6,000
Malawi	13,000
India	25,000
Pakistan*	1,000
Malaysia	110,000
Singapore	30,000
Total	255,000

Source: *Hansard*, 23rd October 1972, col. 770.

This excludes British citizens resident in Hong Kong which is still a British Protectorate. It also excludes small groups resident in other countries whose numbers are small.

\*Since Pakistan left the Commonwealth in January 1972 the vast majority of people resident in Pakistan have become aliens.

All these people would have an automatic right of unimpeded entry into this country.

## BRITISH SUBJECTS

There is a secondary group of people to whom we have obligations because of our special relationship in the past. These are:—

- 1 United Kingdom and Colonies citizens with another citizenship or resident in a British Colony (e.g. Hong Kong citizens).
- 2 Citizens of the independent Commonwealth countries.

We propose that these should be excluded from our new 'United Kingdom citizenship' group and should not have the automatic right of entry into the country. However, they would continue to be regarded as *British Subjects* and would qualify for priority treatment, (in the order outlined above) in the exercise of our immigration policy as acknowledgement of our continuing obligation to them. We propose that, once having been admitted to this country, they would be able to qualify automatically for citizenship after five years residence without commission of a serious criminal offence and with the right of appeal against refusal. During this qualifying period, such people should have the same political rights appertaining to Commonwealth citizens at present resident in this country.

We propose that the present quota system should continue, with priority being given to British subjects who have jobs to go to in Britain.

### **Citizens of the Republic of Ireland**

Since the Republic of Ireland became independent, its citizens have had the right of free entry and equal rights to U.K. citizens in respect of social security and the franchise. Pending the full formalisation of the free movement provisions of the European Communities, we accept the continuation of these special arrangements for Irish citizens.

### **Aliens**

All other groups of immigrants would be classified as aliens and would be admitted only if the quota at any given period had not been taken up by British subjects as defined above.

Within this group there would be a category of temporary residents; those who come here to work on a short-term basis, such as students. It is recommended that a charter be drawn up protecting such people, perhaps on the lines of the Race Relations Act, and that they should have the widest possible legal and social rights during their sojourn. Such a policy would obviously have to be harmonised with those of other countries.

### **Dual Citizenship**

We feel that the question of dual citizenship is obviously a matter for international agreement which should be incorporated into the new citizenship provisions.

### **'Mixed' families**

There is also the problem of 'mixed' families not all of whom may be British subjects. We advocate that within all three categories outlined above, there should be no distinction between the relative status of male and female for immigration purposes and that the marital partner, family and dependants of each person concerned should be eligible for admittance to Britain as British subjects, or as aliens if the persons concerned wish to retain their original nationalities, and dual citizenship is not available.

### **E.E.C. Nationals and Nationals of Associated States**

Under the 'free movement of labour' provisions of the Treaty of Rome, Britain is obliged to admit, without restriction, nationals of our partner countries within the European Community and nationals of associated states, who have obtained work in this country, or have come to seek work in this country and obtain it within a period of six months. Such people form a separate group of 'E.E.C. Nationals' who are excluded from both citizenship and immigration provisions. We propose that the Declaration on Nationality of the Final Treaty of Accession to the E.E.C. should be amended so that both U.K. citizens and British subjects resident in the U.K. should have the right of free movement within the Community. Our new citizenship should thus define 'British Nationality' for the European Community, and all British citizens with the right to enter this country should enjoy free movement within the Community. This would give our non-resident Commonwealth citizens the same rights of free movement in Europe as those currently enjoyed by French nationals resident in the ex-French colonies.

## **The Admission of Immigrants**

Immigration should be regulated in the context of a comprehensive manpower policy for Britain, taking account of the interests of the countries from which migrants come and of our responsibility to the migrants themselves. The overall planning should be the task of the Department of Employment, while the Home Office should only implement the machinery of admission procedures. Liberals wish to reduce the arbitrary powers given to Home Office ministers and officials and especially to see full assistance given to immigrants at their point of entry into this country and subsequently. The rights of immigrants must be protected and provisions should not be changed retrospectively.

## **Social Welfare of Immigrants**

It follows that a comprehensive policy must take into account social provisions for the community. Men and women cannot simply be treated as units of work. New arrivals, like everyone else, require houses, schools, health services, etc. and particularly in education and health, they may have special short-term needs—for example, language tuition for children in school and particular attention to family welfare. An employed man has at least some opportunity to establish himself and adjust to his new surroundings, but his wife may have no one to introduce her to the way of life of a totally new community.

Many immigrants have an inadequate knowledge of English. We believe that extending facilities for language tuition are urgently required. Many countries provide this service free to their immigrants. In Britain, however, very little has been done to ensure that newcomers acquire an adequate knowledge of English.

There are many specific tasks which must be accomplished if we are to create a stable and contented society for the various communities. Some of these are dealt with below:

### *i Housing*

The allocation of council housing is an area in which immigrant communities complain that there is considerable racial discrimination and it is a subject which is all too often shrouded in mystery. The common residential qualification militates against the newcomer. 'Colour and Citizenship' (1969) recommended that there should be a more uniform system of allocation over the country and that qualifications should be based less rigidly on length of residence and more on need. It is alarming that the Race Relations Board found discrimination in the allocation of council housing to immigrants.

Many immigrants have to rely on privately rented accommodation, particularly furnished, and here they find extensive discrimination and exploitation. 'Shelter' has revealed that in Islington, Commonwealth tenants pay significantly higher rents than other residents. Greater publicity needs to be given to both the Rent Acts 1968 and 1974 and the Race Relations Act to inform people of their rights, and it is essential that the Race Relations Board should have powers to investigate without the need to suspect any unlawful action. Housing Associations can do immensely valuable work and methods of helping them to expand their work should be explored.

## ii *Education*

In the field of education, immigrant children are often found in large numbers in a few schools rather than distributed throughout the schools of each local authority in proportion to their numbers throughout the whole area—a situation which stems directly from their housing problems, and adds to the difficulties children face in adjusting to new surroundings outside school. The policy of dispersing children more widely throughout the area is generally rejected because it conflicts with the principle of the neighbourhood school with strong parent/school associations, and is itself discriminatory. A more constructive way of tackling the problem is the setting up of reception classes and the provision of additional teaching, such as English as a second language. Steps can be taken at national as well as local level. For example, the B.B.C. has put on ten short plays for primary school immigrant children. Teacher training courses should include study of the specific difficulties of immigrant children.

Similar educational support programmes are also required for those who have left school. Employers who grant day release courses for vocational training should be encouraged to extend this concession for general studies including English language. We support the recommendation of the Select Committee on Race Relations and Immigration that language training classes should rank for grants from the Industrial Training Boards. This in our view could make a valuable contribution towards freeing immigrant workers from permanent restriction to semi-skilled or non-skilled work.

One great problem for all immigrants is the inevitable generation gap between the immigrant and his children, which is widened by the conflict between the parent's culture and habits and the new culture and habits acquired by the children at school. Often there is also a language problem. The parents speak bad English, while the children become less able to speak their native tongue. In some cases far from becoming bilingual, children may speak both languages badly. So it is necessary not only to teach immigrant children their parents' language but also to maintain their links with the history and traditions of their parents' culture. This can be done either throughout the school or by helping immigrant organisations to provide this education.

## iii *Employment*

This is another area of long standing concern. It is often the case that coloured people may get locked into poorer jobs. For instance, initially Pakistanis may have worked the night shift in the factory to earn higher wages, but the fact that the day shift is worked by whites and the night shift by coloured people must not be regarded as either immutable or fair. Again Liberals support Sir Geoffrey Wilson in urging that the Race Relations Board should have powers, as the Factory Inspector has, to investigate the situation in a works without a specific complaint being made to them.

Particularly urgent is the question of employment opportunities for the children of immigrants who may themselves have been content to take the poorer jobs on arrival in Britain; but those who have been raised and educated here will have expectations commensurate with their previous experience of life and school. If these expectations are thwarted, there could be massive trouble ahead.

The future of the Youth Employment Service is at the moment under discussion. But it is vital that the responsibilities of Youth Employment Officers

should include the widening of the field of employment for coloured school leavers beyond just encouraging employers to use them as sales staff and in white collar jobs, from which they are so often excluded. There is also a strong case for contact with the Y.E.S. to extend the present statutory age of eighteen to twenty-one. It must be seen as a duty of the C.B.I. and the T.U.C. to sell the idea of fair employment policies of equal opportunity to their members. Good personnel practices which cover recruitment, training (including access to training programmes which may lead to promotion) consultation and communication have been shown to produce good labour relations and increased efficiency. But this entails more than the conventional lip service paid piously at conferences to the idea of equal opportunity, rapidly forgotten on the shop floor.

Finally, the Government should take an active role in the drive towards equality of opportunity. It has a clear and obvious means in the large number of contracts it signs with a wide variety of private firms. These contracts should include a stipulation that employment in the firm involved should be on a non-discriminatory basis. In this way an essential step could be taken to commit public policy firmly against discrimination and to give a lead to the whole of society. As far as Trade Unions are concerned, the inclusion of anti-discrimination clauses in collective agreements would be a positive indication of their determination to eliminate discrimination and a potent example to management.

### **Relations with the Police**

The relationship between members of the immigrant communities and the police has received considerable publicity and caused great concern. It must be recognised that the police are the front line force in our society wherever the established pattern is seen to be threatened, and it is therefore inevitable that people who feel themselves disadvantaged by the existing institutions and denied full and equal participation in society should find themselves in conflict with that force. The only real long-term solution, therefore, lies in policies to remove the minority communities from this situation and to eradicate the poor housing, schools, hospitals, and other social provisions to which they and others have been relegated. In the short term, however, more effort should be put into ensuring that the police force understands the minority communities, their cultures and their position in our society, so that as much unnecessary tension as possible can be avoided.

### **Community Relations**

Since the introduction of immigration legislation, policies designed to make Britain a more racially exclusive country, i.e. the Commonwealth Immigration Acts, have alternated with policies supposed to ameliorate racism. We can only understand our race relations bodies in the context of the Immigration Acts.

### ***Race Relations Board***

Set up in 1965, the Race Relations Board was supposed to reassure Commonwealth immigrants after the initial legislation had been passed to restrict the entry of black and brown people into Britain. The 1965 Act gave the Board very little power. It could only try to persuade or reconcile and yet it had to operate in an atmosphere of growing hostility. A further Act in 1968 increased

the Board's powers, but penal provisions were still excluded. Now the Race Relations Board operates through local committees, whose members have some contact with industry and race relations. There is also a staff of professional investigators styled Conciliation Officers. Complaints may be brought before the Board or one of its regional committees. A complaint must be made to the organisation before the Board can set its machinery in motion. The Board's mandate covers most areas of potential discrimination, including the crucial area of employment. It also covers housing, accommodation and clubs, but some important areas are deliberately excluded such as private commercial agencies performing a public function, employment bureaux, offices and shops, and private guest houses. The rules governing membership and participation with trade unions and trade associations are also in effect outside the purview of the Board.

The powers of the Board, despite the increase in 1968, are still insufficient and Liberals support the request already made by the Board to the Government for wider powers to provide it with 'teeth' to initiate investigations. Its legal branch should be strengthened, and should examine legislation, old and new, to discern how it can be used for the benefit of black and brown people. The concept of law as a social instrument seems foreign to British people, though it is becoming a powerful weapon as applied by radical lawyers in the United States. The local Race Relations Board committee should be able to mobilise legal aid to fight discrimination, just as legal aid is available to poor people in the courts.

### Conclusion

Over the last fifteen years both Conservative and Labour Parties have attempted to appease demands for the restriction of immigration, giving an air of legitimacy to the demands and thus creating further pressure. Britain, therefore, has not had a proper immigration policy and hostility to immigration has been encouraged, thus vitiating governmental policies supposed to create 'good community relations'. Immigrants have been blamed for the problems (often in central city and old industrial areas) of the oldest and poorest houses, hospitals, schools, etc., in our society. But immigrants have been forced into these areas because they are near the jobs to which they have come and as a result of discrimination. We must tackle these problems urgently, but recognise that they exist independently of immigration. Above all, any satisfactory policy must begin by banishing the false logic which sees immigration as a threat to be controlled, thus allowing the issue to be manipulated by populist politicians. We must change the way in which the problem of immigration has been discussed since 1960: otherwise the slide towards irrationality and inhumanity is only likely to continue. We must establish the serious economic and social questions which are the real areas of debate. At present, it is reasonable for us to seek to *regulate* immigration on an intelligent and generous basis. There will continue to be minority groups in our country in the foreseeable future and Britain must work to create a tolerant society, combining equal opportunity with religious and cultural freedom.



## 15 AGRICULTURE

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### LIBERAL POLICY AIMS

- 1 To reform radically the Common Agriculture Policy (C.A.P.) of the E.E.C. in order to abolish all hidden subsidies and make the C.A.P. represent a just balance between the interests of consumers, efficient producers and international trading.
  - 2 To encourage an efficient and prosperous industry by ensuring adequate returns for the farmer and guaranteed minimum earnings for farm workers that are comparable with industrial workers.
  - 3 To mitigate the high cost of food where necessary through consumer income supplements instead of through deficiency payments and subsidies.
  - 4 To set up a Land Bank to encourage greater investment and expansion of voluntary co-operatives and mergers.
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### Facts and Figures

There are 538,000 employed on full-time farm work in Great Britain ; 285,000 farmers and 253,000 workers and the value of agricultural output is over £3,000 million which is more than the output of the car industry.

Despite increased U.K. agricultural productivity which has risen at 6½ per cent per year compared with less than 3 per cent in the E.E.C. the average British farm worker receives only £27.40 for a 47.3 hour week. The reasonably successful farmer only receives about the same as a tanker lorry-driver. Nearly all farmers have overdrafts or loans of between £10 and £30 per acre.

### THE CURRENT SITUATION—A REVIEW

#### A The Current Economic State of British Agriculture

'Producers of beef, pig meat, eggs, table poultry and milk have all experienced the impact of unprecedented cost increases and falling returns. The market for young cattle and pigs has collapsed. The expansion of British agriculture has been halted and indeed in some sectors a downward movement has already begun. At a time when the nation can ill afford to spare this food producers are being forced by the economic crisis in their industry to alter their plans and to restrict output.'

Thus the N.F.U. in a memo to members of Parliament warned of the crisis in agriculture which Jeremy Thorpe had already foreseen. Speaking on 13th February 1974 he said :

'As early as last September's Party Conference Liberals warned that if something were not done to help livestock farmers in the near future food rationing would be a possibility.'

#### B Conservative Legacy

1971/73 saw a spectacular increase in the price of almost all kinds of animal foodstuffs both produced and imported, used on farms. Pig and poultry

farmers for whom feeding stuffs make up 70 per cent of total production costs were particularly affected but other livestock producers especially dairy-farmers, also suffered. A number of factors have exacerbated the rapid rise in prices and demand:

- 1 General growth in world population with rising real incomes, demanding higher quality production.
- 2 Global inflation.
- 3 Purchase of 27 million tons of grain by the Soviet Union after catastrophic famines in 1972.
- 4 Depletion of anchovy stocks off Peru raised fishmeal prices (white fishmeal £92.50 per ton December 1971—£300 per ton December 1973).

The Conservatives lost control of agriculture in Britain in trying unsuccessfully to balance unstable and inflated markets with their desperate endeavours to be loyal to the principles of the Common Agriculture Policy of the E.E.C. On the day the February 1974 election was announced they brought forward the Annual Review.

Jeremy Thorpe commented:

'The price review is a desperate eleventh hour rescue operation to save Tory candidates from the justifiable wrath of farmers in marginal rural seats. At least we can say that dairy farmers more than anyone must be grateful that at last a General Election has concentrated the Government's minds on their problems.'

(Statement 12th February 1974.) In a further statement on 21st February 1974 Jeremy Thorpe reviewed the Conservative legacy thus:

### **Dairy Farming**

With the prices of milk controlled and the cost of feeding stuffs soaring there is a crisis developing in the Dairy industry. Sir Henry Plumb, President of the N.F.U. said last November that the delay in providing emergency aid for milk producers would be likely to result not only in a cut back of milk production and home produced beef in the coming year. The £145 award may thus have come too late to prevent this.

### **Beef**

Beef producers have particularly suffered from high world prices for feedstuffs, which means they have to pay the same costs as their European counterparts but receive less in compensatory provisions during the transitional period. The intervention price for beef will have to be raised quickly if the home market is not to be depressed. Mr. Godber asked the E.E.C. to postpone a decision on intervention prices on beef till after the Election.

### **Pigs**

Pig farmers are similarly being squeezed by high costs which have trebled since last year while returns are only up by 50p. The guaranteed price is obviously far too low and again the Common Market subsidy system operates in favour of the exporter and against the home producer.

### **Horticulture**

For horticulturalists the withdrawal of the fertilizer and lime subsidy has come as a severe blow just after they have been battered by winter storms. With fuel prices rocketing there is a real threat to this year's output.

## E.E.C.

What is most worrying about the price review is that it seems to have been framed more in the interest of the European community than the British farmer. This kind of holding operation which does nothing to inspire confidence in home agriculture will go on until Britain takes a firm and unequivocal stance in Europe in favour of a fundamental change in the pricing policy of the Common Agriculture Policy.

## C The Agricultural Crisis and the Labour Government's Responsibility

'Never in modern history has an industry been so let down by a Government as the agricultural livestock industry by the Labour Government. *When the Labour Government took power, the Liberals had considerable sympathy for them on the agricultural front for they inherited a serious crisis, caused by neglect of the Tory Government.* But the levers of power have been in the Labour Government's hands now for three months and they have done virtually nothing. They have made a gesture here and there but they haven't begun to tackle the problem. Indeed, Mr. Peart, in the House of Commons the other day, gave the impression of denying that there was a crisis at all. The Labour Government seem to me to be cynically using the slump in the livestock section of the farming industry for the short-term purpose of showing a fall in the price of food.'

'But what they are doing is ensuring that next year, and the following year, there will be such a shortage of meat that the consumers in this country will have to pay a great deal for it.'

(Emlyn Hooson speaking at the Welsh Liberal Conference 22nd June 1974.)

Why did Labour's performance produce so much despair? Fred Peart would have done well to have taken note of Geraint Howell's maiden speech:

'I believe that the confidence and stability in farming must be restored without delay, and I urge the Minister, as a matter of priority, to submit a price review immediately guaranteeing adequate prices for farm produce. It is vitally important that the pig, dairy, sheep, wool and all other sectors of the livestock industry receive immediate help, because many farmers are in great difficulties.'

(*Hansard 14th March 1974 Col. 430*)

## Major Agricultural Developments in the Short Parliament February to June 1974

### 1 22nd March 1974—Calf subsidies were introduced.

'The object of this scheme is to encourage the rearing of calves for beef production.'

*Norman Buchan, Minister of State for Agriculture. Hansard 22nd March 1974 Col. 1523.*

Stephen Ross replied saying:

'My information is that calves, many of which are fit for rearing as beef, are being slaughtered at an ever-increasing rate. If we are not very careful there will be a wholesale scramble to get out of livestock production altogether. That slide has already got under way in the pig industry. It can only lead to a severe shortage next year and a subsequent increase in imports, which we can ill afford at present. People who should know are predicting falls of up to £30 per head for suckled calves next autumn, if action is not taken now.'

If the Government are serious about encouraging the maximum economic production of food in this country, to which they referred in the Gracious Speech, they are hardly backing up their words by their actions today.'

- 2 25th March 1974—Fred Peart made a statement about the outcome of the meeting of the Council Ministers (Agriculture) in Brussels on 21st to 23rd March at which agreement was reached on prices and other arrangements for 1974/75 under the Common Agriculture Policy. These included certain special measures being taken to fulfil the Government's aim of ensuring that the price increases decided by the Council should not result in increases in the prices of basic foodstuffs to the British housewife. He went on to announce pig subsidies:

'In the United Kingdom special arrangements are being made to safeguard the future supply of bacon and pork to the consumer. A special subsidy to producers with effect from today, will be paid on pigs certified under the fatstock guarantee scheme, and the rates will be 50 pence per score deadweight until the end of May, 35 pence in June, and 15 pence in July.' The estimated cost is £15 million.'

*Hansard 25th March 1974 Col. 34*

\*On 21st August 1974 Mr. Alan Inwood, chairman of the British Pig Producers Federation said the farmers say they are still losing between £2 and £5 on each pig they sell in spite of 50p a score (20lb) because of low prices and high production and feed costs. They want the subsidy increased to £1 a score and continued at that figure after 2nd September when it is due to fall to 35p a score. They also seek immediate cash aid of £25 a sow for up to 50 sows and £10 a sow after that, and bank charges on overdrafts reduced by 5 per cent.

Emlyn Hooson congratulated the Minister (in Col. 42) for obtaining the concession from the E.E.C. However a shortage of pig meat is inevitable later this year, with higher prices, but the measure thereby lessened more drastic long term shortages.

- 3 11th April 1974—In reply to an oral question Fred Peart announced a subsidy for horticultural heating oils:

'I intend to introduce a temporary subsidy at a flat rate for all types of heating oils in circumstances in which the grower already qualifies for rebate of the 1p a gallon excise duty. A payment of 6p a gallon will be made on oil delivered in the first six months of the year and 4p a gallon for the second six months. There will be no subsidy on oil delivered after 31st December 1 974.'

*Hansard 11th April 1974 Col. 610*

Stephen Ross replied:

'The announcement will be extremely welcome to the growers where there has been rapid expansion in the last 10 years.'

*Hansard 11th April 1974 Col. 611*

- 4 8th May 1974—The Conservative opposition initiated a debate criticising the Government's performance in the livestock sector.

The Minister, Fred Peart replied to the criticisms saying:

'I am very glad we are having this debate because it enables me to set out plainly and I think clearly the Government's approach to agricultural policy, both now and in the long term.

'We took office at a very difficult moment for agricultural policy. The old support system based on the Agriculture Acts of 1947 and 1957—a system which served the nation and the farming industry well—had been half-

removed by the previous government. The new and very different system of the E.E.C. had been very largely introduced. The Annual Review had just been completed, and the determinations made. But the Brussels prices for 1974/75 had not been fixed. The Government had to decide in the very first weeks of office what to do within the framework of the Community system that we had inherited.

'I went to Brussels determined to do two things and I reported the package deal to the House. I reminded the House that the first one was that I would not be a party to importing an extra inflation of food prices to add to the massive inflation over which our predecessors had already presided. The other was that I would get a fair deal for British agriculture which met the immediate problems in the beef and pig meat sectors.'

*Hansard 8th May 1974 Col. 417*

In reply to the Minister Emlyn Hooson said:

'I am sorry to say that today the Minister gave me the impression—I hope that I am wrong—of being as out of touch with the true nature of the crisis in agriculture as were his predecessors.

'Farmers have little patience with the kind of party bantering that occurred between the front benches today, the farming community is asking what is to be done to get us out of this immediate crisis.

'I suggest that the Minister tackles first the immediate problem and, secondly, the longer-term problem. The Right Hon. Member for Cambridgeshire attacked the Minister but did not suggest one remedy to deal with the immediate crisis in agriculture.

'What the Right Hon. Gentleman did was to get rid of the intervention price without replacing it with anything else. That was his mistake. The first thing he should do now—he could do it within a week—is to bring back the guaranteed price for beef.'

*Hansard 8th May 1974 Col. 434*

##### 5 31st May 1974—Liberal visit to Brussels

Frustrated by the Government's lack of action a Liberal delegation went to see the E.E.C. agricultural Commissioner in Brussels. Those that went were Emlyn Hooson, Geraint Howells, Paul Tyler, Clement Freud and Alan Beith. On their return they issued the statement below:

'The Liberal Party are convinced that the agricultural industry in its livestock section is going through the most difficult crisis it has experienced since the War. There is a complete lack of confidence in the future which only a British Government can restore. The last and the present Government seems to be completely out of touch with the reality of the crisis. It was against that background that six Liberal MPs visited M. Lardinois, the E.E.C. Agricultural Commissioner.'

'We were surprised and encouraged by our visit. We were encouraged by the very great understanding and sympathy for British problems, but it was pointed out to us that to expect adjustments to policy before possibly protracted renegotiations initiated by the British Government was particularly unreasonable and would be unfair to the other members. We were very surprised to learn that the previous Conservative Government had unilaterally withdrawn the lime and fertiliser subsidy without any discussion with the Community.

'There was clearly going to be no pressure from the Commission to scrap the statutory marketing boards operating in the U.K. Further, we found the

Commissioner extremely sympathetic to our plea that it was necessary to subsidise lime and fertiliser for the hill areas.'

'The levers of power are clearly in the hands of this Government. Only they can avoid the livestock industry from falling into further depression and can safeguard the essential fresh food supplies of this country in the future. It is for Mr. Peart to act now.'

- 6 19th June 1974—Fred Peart made a statement to the House of Commons, about the E.E.C. Ministerial meetings of 17th and 18th June.

There were two main items of business a statement on behalf of the United Kingdom on the renegotiation of the terms of British accession to the Community in the agricultural sector; and the current market situation for pigs and beef.'

*Hansard 19th June 1974 Col. 478*

The statement did not contain any help for agriculture but hinted at possible subsidies for beef. Russell Johnston's reply to the Minister:

'Surely the Minister will agree that the object of the exercise, from the point of view of all parties, is to keep consumer prices as low as possible while maintaining stability for the farmer. Does he agree that the basis of his criticism of the C.A.P. now is different from that in 1972? The basis then was that the C.A.P. would cause alarming increases in consumer prices, whereas, were we not in the early stages of the transitional arrangements now, the C.A.P. would be holding consumer prices down in view of the new world situation. How is it possible to have a referendum on the terms at one moment in an ever-shifting situation which might be negotiated very well now and change completely in two years?'

*Hansard 19th June Col. 478*

- 7 26th June—Lime subsidy restored. At last the lobbying of Liberal MPs was beginning to bear fruit. During the agricultural debate on a Conservative motion. Mr. Paul Tyler issued the following statement:

'I am delighted to welcome the Minister's decision to restore the Lime subsidy forthwith, which was cut by the previous Government. As the Minister acknowledged in his speech this afternoon Liberal pressure played a part in his decision. This will especially benefit livestock farmers in areas like Cornwall, and they will also be relieved that the Minister is at last taking action to reverse the downward trend in the beef market which we have witnessed over the last year. I hope he will go on to restore the fertiliser subsidy also, at a more realistic level.'

- 8 17th July 1974—The Government finally agreed to the Liberal proposals on beef, with a subsidy system outlined below by Fred Peart:

'The purpose of these premia is to sustain producers' returns and to offer an incentive to them to market beef cattle in an orderly manner through the autumn and winter. The maximum rates rise from £9.24 per head in August to £32.34 in February. Arrangements for March and April will be decided following a review in December.

'The cost will be borne by the member state from August to October, but thereafter Community funds will bear a proportion rising from 50 per cent in November to 70 per cent in February.'

*Hansard 17th July 1974*

## Conclusions

Throughout the session February to July 1974, the Parliamentary Liberal

Party has persistently called for urgent action to deal with the agricultural crisis. Emlyn Hooson reflected:

'As far back as last September I warned the Conservative Government about the excessive slaughter of in-calf cows and in-pig sows. I was accused of being a scaremonger. By last March the situation had reached crisis proportions. On 30th April, when I asked a supplementary question of the Prime Minister about the state of the agricultural industry, he replied:

'The Hon. and Learned Gentleman is correct in saying that it is a very serious situation which goes back further than the time of change of Government. I will not put it any higher than that. My Right Hon. Friend's concern with these problems has been made clear in debate and at Question Time, and they take a serious attitude to the situation. They are doing everything in their power to help'.

'Here we are at the end of June before anything concrete has been announced.'

*Hansard 26th June 1974 Col. 1603*

The Minister Fred Peart gave costings of his subsidy schemes on July 17th 1974 in a speech to the dairy trade:

'I also secured agreement to increasing the calf subsidy by £10. This injection of £35 million is sure to have a considerable effect on future beef supplies. On pigs I introduced a special subsidy at the rate of 50p per score. This was originally due to come to an end at the end of July, but it is now to be continued until the beginning of November and by then it will have been worth an extra £30 million. Added to these measures are the subsidy for horticultural oil, worth £7 million, and the reprieve of the lime subsidy, valued at £5 million. Thus in less than five months office I have already injected a massive £77 million into the industry, a sum that is often conveniently forgotten by those critics of the Government.'

Liberal members of Parliament can reflect with considerable satisfaction that it was principally they who persuaded Fred Peart to spend £77 million, which, no doubt, he will conveniently forget.

### **Principles of the Common Agriculture Policy**

The objectives of the Common Policy for agriculture were specified in Article 39 of the Treaty of Rome:

- 1 to increase agricultural productivity by developing technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, particularly labour;
- 2 to ensure thereby a fair standard of living for the agricultural population, particularly by increasing the individual earnings of persons engaged in agriculture;
- 3 to stabilise markets;
- 4 to guarantee regular supplies;
- 5 to ensure reasonable prices in supplies to consumers.

### **Mechanism of the C.A.P.**

The basic premise underlying the great majority of the E.E.C. commodity arrangements is that the market should provide the producers with an adequate return. The principal methods used to ensure that, as far as possible, their returns are at the levels considered to be appropriate by the Community authorities are: the regulation of imports from non-member countries, export restitutions, and support buying.

The most important single element in the system is the variable levy. Importers are required to pay a levy equal to the difference between the price at which imported supplies are allowed to enter the Community (the threshold or minimum import price) and the lowest quotation for a comparable product on the world market. Consequently, variations in world prices are accompanied by compensating variations in the size of the levy. The levy is usually used on its own but it may be used in conjunction with import duties, i.e. the common external tariff.

As a counterpart to the import levy, export subsidies may be paid in order to enable the Community to compete on world markets. These subsidies are not made available automatically but they can be used to reduce Community prices to world levels.

The degree of price assurance provided by the regulations differs greatly from product to product. It is greatest for those commodities, including cereals, beef, sugar and milk, for which provision is made for support buying at prescribed levels below the target of guide prices which the Community decide that the market should provide.

### **Long Term Liberal Policy**

Although long standing supporters of the European Common Market, Liberals are dissatisfied with the present structure of the Community and, in particular, the protectionist nature of the Common Agriculture Policy. The C.A.P. is at present attempting to satisfy two mutually exclusive and contradictory demands which are to ensure an adequate return for even the smallest and most inefficient farmer whilst at the same time attempting to maintain food prices at a competitive level which is fair to the consumer.

No single price mechanism can do this.

What is required is a fundamental review of European agriculture according to the criteria set out in the Mansholt Plan. The emphasis should be on efficiency and high production.

Where critical or marginal sectors of farming such as hill farming and dairy farming need financial aid, this should not be implemented through the price mechanism as at present which pushes farm gate prices up to artificially high levels. Such aid should be taken out of pricing policy and instead channelled through budgetary and social welfare policies.

Direct income supplements should be paid by tax credit and minimum earnings provisions to those farmers who are crucial to agricultural production and who need aid.

This would allow a more realistic and stable price mechanism to be developed. Here Liberal policy, spelled out at Southport last year, is far in advance of Labour and Tory policy.

We have called for five-yearly strategic reviews of agriculture which would include an overall review of farm prices.

At present fluctuations in costs of imported foodstuffs and raw materials make it extremely difficult to plan for agricultural expansion with any degree of confidence, and any attempt at gradual harmonisation of prices on an annual basis is thus an insuperable task.

Liberals propose that instead of adjustment to the price support mechanism based on annual fluctuations, threshold and intervention prices should be fixed by reference to the average costs over a five year period. This coupled with regulations against the dumping of agricultural products on the European



market when prices are high would make for a far more stable and competitive price structure, as well as removing the cost of subsidising marginal farming from the consumer.

The Party put forward its policy to reshape the C.A.P. at its 1973 Southport Assembly.

#### **A Internal measures to mitigate the effects of the Common Agricultural Policy**

- 1 Government help on food prices should be directed towards the consumer through the implementation of established Liberal social welfare policies and not through the system of deficiency payments to the producer.
- 2 Farm workers' earnings must be raised, to a guaranteed minimum, consistent with Liberal industrial policy.
- 3 A high level of agricultural production should be encouraged and artificial limitations avoided.
- 4 U.K. marketing boards should be retained.
- 5 Voluntary co-operatives should be encouraged by the provision of more generous grants. This should be an important function of the proposed Land Bank.

#### **B Revision of the C.A.P. from a European standpoint**

- 6 The British Government should press vigorously within the Council of Ministers for the adaptation and development of the C.A.P., along the lines outlined in the attached report, and should insist that a decision be taken on the E.E.C.'s Commissions own review of the C.A.P. by the date already agreed.
- 7 The annual farm price review should be retained and augmented by a strategic review every 5 years.

The resolution was amplified in a Commission report on 'Food, Agriculture and Land Use' which called for a re-shaping of the C.A.P. in order to make it less protectionist and to contribute to a reduction of the vast inequality between the living standards of the 'have' and the 'have not' countries. The report spelt out Liberal policy on price support:

'The Liberal Party, regarding the price support emphasis of the C.A.P. as incompatible with the interests of the U.K., the E.E.C., and the world in general, and reasserting as its objective the total elimination of all tariff and other restraints on world trade, calls upon H.M.G. to press vigorously in the Council of Ministers of the European Community for the following adaptation and development of the C.A.P.:

Establish for individual commodities a threshold price based upon a rolling average of carriage insurance and freight import prices for five years past plus an additional equivalent approximately to an average of the Common External Tariff on industrial goods. The new threshold price should be maintained as at present by a variable levy on imports charged after discretionary application by the Community of anti-dumping duties, which should be applied when products are offered to the Community at prices lower than those for which such products are or might be offered in the domestic market of the producing country;

Alignment of target intervention and other similar prices to the new threshold price, such alignment to be phased so that it can be achieved within five years of the introduction of the new threshold prices;

Vigorous implementation of schemes for the restructuring of agriculture within the Community without prejudice to the valuable role that can be played by the part-time farmer.

The Community to fund a comprehensive system of income supplementation for transitional purposes and long term, for small farmers and those farming in marginal areas.'

### **Food Prices and the C.A.P.**

Liberals want a radical review of the C.A.P. but nevertheless recognise that the most important factor underlying rising food prices in the last year has so far been world food commodity prices and *not* the result of joining the E.E.C. In the last year world food commodity prices have risen by no less than 50 per cent which is more than the rise over the whole of the previous 14 years. As the N.F.U. have pointed out it is absurd to claim that the bulk of the 37 per cent rise in food prices between June 1970 and July 1973 is attributable to the C.A.P. It is also wrong to blame the C.A.P. for the 15 per cent rise in food prices in the past year. It has been officially stated that the only important foodstuffs which have shown a significant increase in price as a result of joining the E.E.C. are sugar, pig meat products, corned beef and skimmed milk powder and the overall effect on food prices is estimated to be less than one percent. (*Hansard July 19th 1973.*) Many E.E.C. target prices are, in fact, lower than world prices at present although this could change.

## **EUROPEAN FACTS AND FIGURES**

### **1 Agriculture's Share**

Any idea that Britain is much more industrialised than the Six, or that agriculture still contributes a major share in the total production of the present E.E.C., is quite erroneous. It is true that the share of agriculture is lowest in the U.K., but the gap between this country and Germany in this respect has almost disappeared (1970: U.K. 2.9 per cent; Germany 3.3 per cent). For the original Six the share in 1970 was 5.8 per cent.

The share of agriculture, forestry and fishing in the working population is still fairly high in Italy (about 20 per cent in 1970, though the exact figure is very difficult to estimate), and about 13 per cent in the Six.

### **2 Small Farm Problem**

It is well known that the prevalence of small farms presents a much more serious problem in the Six than in the U.K. If, for purposes of direct comparison, we leave out holdings of less than one hectare, (1 hectare = 2.47 acres) in 1970 the average size of holdings in the Six was only 13 hectares, while in the U.K. it was 40 hectares, or more than three times as large. France falls in an intermediate position at 21 hectares but in Italy the average was only 10 hectares.

In all countries, however, the size structure is steadily changing in the direction of larger farms. The number is diminishing, partly through amalgamation and partly through land being taken out of agriculture. Yet this is a slow process, and the average size of holdings in the Six is increasing at only about a quarter of a hectare (0.6 acres) per year.

### **3 Comparative Yields**

On average, yields on U.K. farms compare favourably with those obtained in the E.E.C. as a whole though in recent years our sugar beet yields have lagged

behind. British wheat yields, at nearly 4 tons per hectare, are well ahead of the E.E.C. average, but this is mainly because of the low yields obtained in Italy. In fact, the Netherlands, Belgium and Germany are ahead of the U.K. These same three countries also surpass us in their yields of barley, potatoes and sugar beet.

## **AGRICULTURE POLICY IN BRITAIN**

### **1 Britain's Role**

The Treaty of Rome lays down that production should be centralised in the areas most suitable. We accept this as economic sense, but it is important that human interests are never overlooked. We are glad to see acceptance of regionalism as a principle following British entry. This will allow the continuance of such things as hill farm and marginal farm grants. Land must be utilised and it is wrong to vary policies which will cause those whose families have lived for generations by the land to be deprived of their livelihood and of some measure of the general increases in living standards which will take place within the Community.

In our view we consider that Britain's major agricultural role is in livestock production as our grassland is second to none. We would view with alarm any major switch to cereal production for reasons of expediency and in consequence welcome recent changes in the E.E.C. price structure which favour livestock.

### **2 Home Production, the Farmer's Margin and Fair Prices**

Liberals are well aware of the grave difficulties being experienced at the present time in many sections of the agricultural community. The Labour and Conservative Governments were for a long time deaf to the Liberal warnings and appeals concerning the plight of the dairy farming livestock sections of agriculture. This could result in an actual food shortage in this country, particularly with regard to fresh foods arising from the excessive slaughter of breeding animals by farmers overwhelmed by the cost of feedingstuffs and the very high interest rates, feeling that their future is extremely insecure. The true interests of the consumer and producer alike lies in stable and consistent prices. While we must accept that the era of cheap food is at an end and that, in the short-term at least, world prices will remain high, the Liberal Party does *not* see protection of the consumer being achieved by wholesale indiscriminatory food subsidies.

We must seek a fair return to the farmer, the maximum freedom of international trade, and a genuine market, together with world commodity agreements. We do not want to see the producer at the mercy of the Treasury and of public opinion. If hardship is caused to certain sections of the public, then alleviation must be through higher social benefits to pensioners and large families, coupled with guaranteed 'threshold' income supplements written into pay awards, in the short-term. In the long-term our tax credit scheme coupled with statutory minimum earnings, will ensure adequate income for all.

### **The Price Review and Marketing Boards**

The annual Price Review should certainly be retained but be coupled with a 5 year strategic review. U.K. Marketing Boards should also be retained.

## **Structure**

We are in favour of *restructuring* agriculture where possible and efforts must be made to ease out and compensate those whose units are too small to be viable. But this should be a gradual process with no element of compulsion. As part of our general regional policy we advocate Regional Boards to control guidance funds and assist restructuring.

## **Co-operation and Finance**

We should encourage voluntary amalgamation by compensatory grants as at present, but also encourage co-operation and the formation of land and machinery syndicates. The selective use of subsidised credit could provide an effective means. We should look to the grouping of individual farm businesses, particularly in the middle acreage band, into tenant partnerships or syndicates operating as limited companies. Such partnerships would provide opportunities for the individual land component owner to undertake management duties in defined fields (e.g. stock, arable, general administration) and lead to the advantages of scale and credit worthiness without losing the personal interest and touch. They would also provide an opening for the young man wishing to acquire a stake in farming. Finally, there should be state encouragement of co-operative marketing and commodity storage, in line with E.E.C. regulations and practice.

Obviously co-operation and finance are closely interrelated. Significant savings can be affected by joint purchase of machinery by two or more farmers, with an obvious financial saving for the individuals concerned and an increased annual use for the machines involved, thereby making the purchase more economically viable. We welcome voluntary mergers of individual farms into consortia in which each individual farmer in the group is responsible for one facet of the group's activities. A few such groups have been formed so far in this country and have proved very successful. The Agricultural Land Bank would be available to assist the financing of such groups. Such groups could also comprise voluntary associations between landlord and tenant.

## **The Land Bank**

The Agricultural Credit Corporation must be swiftly expanded into a Land Bank—a policy Liberals have long advocated. Loans would be available, at a fixed rate of interest, subsidised if need be, for projects which might properly be described as medium-term; i.e. modernisation, improvement restoration and restocking. Loans would be selective and could, for example, give priority to young men starting farming on their own account. But no loans would be given for land purchase—which could merely add to inflated prices. Both the organisation and the financing of the syndicate Credit Companies could be carried out by the Agricultural Land Bank.

## **Planning and the Use of Land**

U.K. Planning authorities already exert a strict control over the siting of industrial and domestic buildings. Planning permission for agricultural buildings is required only when they are over 5,000 square feet in area, over 40 feet in height (unless near an airfield) or within 80 feet of public highway. So frequent now are the instances of permanent damage to skylines by new farm buildings, that no logical case can be upheld for continuing to grant agricultural buildings planning exemption. To continue treating them as a

special case may only serve to worsen the farmer's public image. Where, for administrative reasons, it is not immediately practicable to bring them within the planner's net, a start should be made at once in areas of Outstanding Natural Beauty.

In the present situation where land is at a premium we stress the need for reclamation and restoration of land. 50,000 acres of agricultural land are lost annually to development, dereliction and neglect.

### **Taxation and Land**

The Liberal Party recognises the vital necessity of keeping down the price of land and, at the same time, maximising its usage for the benefit of the Community. Over the last two years the price of agricultural land has rocketed and exceeded £1,000 per acre. To take some of the heat out of the present high land prices and to ensure that the community shares in the enhanced value of land we advocate the following measures:

- 1 Site Value Rating should be introduced on a national scale and applied to land in the U.K. *Agricultural land in productive use would be zero rated.* (See Chapter 10 for fuller exposition of Site Value Rating).
- 2 In order to help keep down the price of land and make farms more readily available to genuine farmers, agricultural losses should no longer, in any circumstances, be allowable against profits from other businesses.
- 3 Estate Duty relief should be restricted to bona fide agriculturalists. This would prevent the major transference of city assets into agricultural land. (The Labour Party's proposals for a Capital Transfer Tax envisages some relief for working farmers by setting much lower rates than current estate duties.)
- 4 Roll over relief should be restricted to land of equivalent value to that sold.

## 16 EUROPE

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### LIBERAL POLICY AIMS

- 1 To play a leading role in transforming Western Europe into a united and democratic international community through our membership of the European Economic Community.
  - 2 To campaign to ensure that Britain remains a full member of the European Community.
  - 3 To work from within the E.E.C. to reform its democratic institutions, to make its policies more equitable and to promote positive movement towards political, economic, and monetary union.
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### E.E.C. Entry: the Background

#### *The Early Years*

Liberal support for full British participation in the movement towards the unity of democratic Europe has been consistent ever since the Second World War. The War made obvious the disastrous consequences of national rivalry and of dictatorship among our nearest neighbours. As the then Labour Leader, Mr. Attlee, said during the war, 'Europe must federate or perish'.

Disagreement with important details of E.E.C. policy and disappointment at the lack of progress towards unity does not alter our commitment to the high ideal of a European Community any more than disagreement with much of the legislation and workings of Westminster alters our commitment to parliamentary democracy in Great Britain.

In Parliament our role has been decisive. The then Liberal leader, Mr. Clement Davies, describes the proposal in 1950 of a European Coal and Steel Community as 'the greatest step towards peace in this century'. Unfortunately the Labour Government at that time and its Tory successors refused to follow his lead and sent only observers to the negotiations. Consequently, Britain lost the opportunity to lead a democratic Europe towards unity, which she could have had for the asking in the first ten years after the war.

In 1956 Liberals again welcomed negotiations on the next state of development with the establishment of the European Economic Community and Euratom but the Conservative Government at that time sought only to smother this stage of development in a wider Free-Trade Area. These negotiations failed, and the new member states of the E.C.S.C., E.E.C. and Euratom Communities (administered as the European Communities since 1969) came into being, the other countries including the U.K. forming a separate European Free Trade Area.

Mr. Mark Bonham Carter won the first Liberal by-election since the war at Torrington in March 1958, on a platform which included support for entry into the E.E.C., which was then just coming into being. In the 1959 General Election the Liberals were still the only Party campaigning for British entry. One of the first votes cast by Mr. Jeremy Thorpe in the House was when, led

by Mr. Grimond, the Liberals divided the Commons on the principle of British membership. They were supported by a solitary Labour M.P.

#### *The Conservative Government 1959/64*

By 1961 Mr. Macmillan had realised that Britain had to join. The Liberals welcomed his conversion and supported his application. But in January 1963 President de Gaulle vetoed the British application for membership.

#### *The Labour Government 1964/70*

In 1967, Mr. Harold Wilson renewed the British application and Liberals supported him by our votes in the House, in common with the great majority of M.P.s of all parties. President de Gaulle repeated his veto, but after he left office the members of the Community reopened the question and at The Hague, in December 1969, agreed to try to enlarge the Community.

They made clear that new members must accept the principles of the Treaty of Rome and the main existing policies of the Community, including the Common Agricultural Policy. Mr. Wilson and the Labour Government welcomed the renewal of negotiations on these terms but were defeated in the 1970 General Election before they could be carried out.

#### *Conservative and Labour attitudes 1970/74*

Mr. Geoffrey Rippon then negotiated terms which, although obviously not as good as we could have had, had we joined as founder-members, were acceptable. Of the five former Labour ministers directly concerned with negotiations with the E.E.C., Lord George Brown, Mr. Michael Stewart, Mr. George Thomson, Lord Chalfont and Mr. Harold Wilson, all except Mr. Wilson publicly declared that the terms would have been accepted by a Labour Government. Mr. Roy Jenkins went as far as to say, 'I would not have gone in on any terms. But these are not any terms. I would have been glad to support them in the cabinet. But I must also express my own personal conviction that a Labour cabinet would have accepted these terms by a large majority. I believe that these terms are as good as those with any knowledge of the situation could realistically have hoped to get'. (*Daily Telegraph*, 20th July 1971, *report of a private meeting of the Parliamentary Labour Party*.)

#### *The Debate in Parliament 1971/72*

That their views are widely held in the Labour Party is proved by the fact that when the House debated the principle of entry on these terms in October 1971, the Government had a majority of 112, even though 39 right-wing Tories voted against membership and two more abstained. Five out of the six Liberal M.P.s voted in favour. Mr. Hooson, who has been a consistent opponent of our entry, voted against. He thus exercised the right all Liberal M.P.s possess, of expressing his convictions in the division Lobby.

In February 1972, Mr. Wilson and Mr. Mellish, the Chief Whip, succeeded in inducing all but a handful of Labour M.P.s to vote against the second reading of the European Communities Bill. As a number of Powellite Tories voted against the Bill, it would have been defeated if the Liberals had not supported it. Liberal M.P.s supported the Bill in all its stages in both Houses. On at least two other occasions in the Commons their votes were decisive in divisions on clauses of the Bill. It was therefore only by the votes of the Liberals that

Britain was able to enter the European Community, together with Denmark and Ireland, on 1st January 1973.

### **The Terms**

The United Kingdom, together with Denmark and Ireland, became members of the European Communities on 1st January 1973, thereby creating the 'Nine'. The Accession Treaty provided for a transitional period so that full membership conditions would not be applied for five years. Obviously, the terms were not perfect, but any negotiations require give and take on both sides. In these circumstances it is essential that Britain should be represented at all levels. But such is the peculiar stance of Labour in refusing to send M.P.s to the European Parliament that only in the case of Europe has a Government ever been signatory to a treaty without sending its representatives to help execute it.

The only way of changing rules of an organisation is from within, and like any living organism, the Community is continually changing. In many ways this continual evolution has already made the terms of entry irrelevant. Other member states already see this, and accept that the U.K.'s budgetary contribution may have to be changed. The Common Agricultural Policy has already been amended since British entry. Yet the Labour Government has deliberately ignored attempts to develop the Community along lines where Britain has most to gain, such as in the Common Energy Policy and the Regional Policy. Former Labour Minister George Thomson, one of two British Members of the 13-man Commission, has said that the Regional Fund was 95 per cent agreed before the February election. The Labour Government, however, has not followed up this initiative.

### *Principles of Liberal Support for E.E.C.*

The Liberal Party has supported our participation in the Community so determinedly primarily for *political* reasons. The world must grow out of national rivalry in the age of nuclear weapons, and it is the middle-sized, old nations of Western Europe who can best give a lead. To the Super-powers, the U.S.A. and the U.S.S.R.; to giants like China and India and isolated countries of great economic prowess, like Japan and Australia, the sharing of sovereignty with their neighbours seems unnecessary. Their neighbours are often afraid of them and wish to resist their influence. To the newly independent countries of Africa, the smaller countries of Asia and the under-developed states of Latin America, nationalism is still a cement for holding them together against tribalism and other divisions, or it is an incentive for economic and social reform. The Eastern European states are allowed no choice in the matter by the Soviet Union. But in Western Europe, generations of war should by now have taught us the need to limit our rivalries. At the same time the relative loss of power of Britain, France, Germany and Italy, compared with non-European countries, pushes us together. The fact that we are now an overcrowded, heavily industrialised corner of a Continent, dependent on the import of raw materials from outside Europe and having approximately the same standard of living to maintain, gives us an even closer economic relationship.

Finally, for all our rich variety of language, culture and opinion, we share a common civilisation. As Jo Grimond put it at the Liberal Assembly of 1962, 'It is the Europe of Athens and of Rome; of France, of Germany in her great days; of the Netherlands; of England, of Scotland and of Wales.' We have shared roots in the classical world, in Christianity, the Renaissance, the 18th-Century Enlightenment. All the countries of the Community are democracies,



under the rule of law with basic liberal freedoms. This cannot be said of any other major grouping of states. It is because of this that the E.E.C. refuses to admit dictatorships.

### **The Question of Sovereignty**

Any country which signs a formal agreement with other nations, be it a political, economic or military agreement, undertakes thereby to vest some of its sovereignty in the alliance so formed. For the United Kingdom this is not a new experience. Our membership of the League of Nations and later the United Nations entailed the cession of some unilateral control over our external activities. Similarly, our membership of N.A.T.O. and the Western Alliance has given us a degree of political and military security at the expense of national sovereignty. Just as we have accepted that complete military and political self-sufficiency is no longer possible, so must we accept that no country is completely economically independent and that each has already lost a degree of its sovereignty.

Current shortages and price increases of primary materials are world-wide and resulting higher levels of inflation are also world wide. Any major country's economic policy has a spill-over effect on its partners. The U.K. has no other grouping to belong to other than Europe. Australia, for whom we are only the third trading partner and with whom we have an ever-decreasing share, and New Zealand both want us to stay in. The shortage of sugar is not due to the E.E.C., but because Commonwealth sugar producers want to sell it elsewhere. The continuation of a cheap food policy by Labour would only be exploitation because the Commonwealth Sugar Agreement pays £83 per ton whereas the world price is £260. Similarly, New Zealand has no desire to fulfil its quota of dairy produce at the prices the U.K. has paid. Moreover, 21 developing countries are negotiating for association with the rest of the European Community, even if some Labour and right-wing Conservatives would have the U.K. become a backward off-shore island unable to influence its own future and sentenced to economic futility—the very thing Mr. Wilson claims to be avoiding. By playing an active role inside the Community, the U.K. can regain the sovereignty it has lost, whereas outside it would lose even more as decisions were taken which would affect it any way through economic interdependence.

The Community can only grow as a partnership of liberal democracies if it is to be more than a means of expanding trade. The idea of European unity first took hold of public imagination during the struggle against Hitler. Recently, it has become even clearer that it is not only the banishing of war and tyranny that requires it, but the solution of many problems of peace. The chronic monetary crisis, so damaging to the British economy, requires a European reserve currency pool. There should be trade union organisation on a European scale to match the power of the multi-national companies. Pollution spreading across seas and frontiers can only be checked by European Governments acting in concert. The regional imbalance, created by the growing economic attraction of the area from London in the North to Milan in the South, the Ruhr in the East to Paris in the West, needs to be corrected on a Community scale. The solution of such problems, through a shared sovereignty within a stronger E.E.C. will not be easy. But without it, it will be impossible.

### **Progress within the European Community**

Progress towards democratic European unity has already achieved a great deal.

In spite of all present quarrels, the idea of war between the members of the E.E.C. is simply no longer considered possible. That was not the case in 1914 or 1939!

### *Trade*

The growth of trade between the member states has been enormous. Since 1963, whereas trade between the six and the rest of the world has doubled, trade between member countries has increased by  $2\frac{2}{3}$  times. The European Community as the world's largest trading group has been able to trade with other world groupings as equals, and make itself effective. Tariff reductions negotiated through GATT on the Kennedy Round in 1962, were handled by Jean Rey, the then Belgian Liberal President of the E.E.C. Commission with guidelines approved by the Ministers of the member states. The Community is now by far the largest trading entity, carrying on 40 per cent of all world trade. The E.E.C.'s granting of a preference to the exports of underdeveloped countries was welcomed by U Thant as Secretary-General of the U.N.

The Community's system of generalised preferences—no duties on most industrialised products from developing countries—was the first to follow United Nations' recommendations on the subject, together with the help recently agreed for poorer countries in Asia, most hit by oil price rises, is a practical example of the Community already doing what the current Labour administration says it should be doing in the future. Similarly, the Community as an entity is able to start the Euro-Arab dialogue—while at the same time negotiating preferential agreements with Israel—in a way that individual countries could never do.

### *Industrial Development*

The Community is working to establish co-partnership in industry through the European Company Law, already drawn up by the Commission. In 1973, Britain's contribution to the community budget was £180m. (8.78 per cent). Of this our net payment was £74m., and the balance we received in benefits of one sort or another: £64m. in agricultural support, £24m. as our allocation from the Community Social Fund and £18m. in repayment for customs collection. The £24m. for the Social Fund was used mainly to finance retraining projects in declining industries: for example, £7m. is going on retraining of British Coal and Steel workers made redundant.

At the moment, the U.K. is paying more towards the Community than it receives in direct cash payments in return but even the full extent of these is often not appreciated, or even exploited, e.g. 25 per cent grants have been made for eight fishing vessels at Peterhead, £310,000 in the Shetlands and for a fish processing plant at Belfast. £3½m. have been given from the Social Fund for retraining.

The E.E.C. policy of encouraging competition within an international framework is the only effective counterbalance to the growing power of the multi-national companies. Since their jurisdiction is based on effects within the Community, the roles of competition apply also to firms from non-member states and multi-nationals. That the policy is effective is shown by the fining of I.C.I. and Ciba-Geigy (Switzerland) for illegal price-fixing, the firms of the Commercial Solvents Corporation for attempting to force a competitor out of business and the current investigations with I.B.M.

In the social field, Britain, once a leader, has lagged behind as European norms and laws have forged ahead. A comprehensive Social Action Programme has been proposed by the Commission with, for example, a legal minimum of four weeks paid annual holiday. This is already usually the case in the other member states with a holiday cash bonus as well. Several member states also have a legal minimum wage—another longstanding part of Liberal policy. Social Security benefits are also often much higher than in the U.K.

### *Common Agricultural Policy*

About 80 per cent of the total U.K. contribution of £180m. went to finance the Common Agriculture Policy. This means a gross payment of about £144m., but as pointed out above, we have recouped £64m. of this in agricultural support. Our payment net then has been about £80m. The C.A.P. has many objectionable features. It is too protectionist and too complicated in its operation, and its price mechanism operates in favour of inefficient farmers. But it has made less painful the transfer of half the farming population of the Continental members of the Community to other occupations since the War. It has promoted feed production at a time when the population explosion makes this imperative. The prices of most food and other agricultural products on the world market are now higher than that ruling in the Community. The only significant exception is butter.

In 1973 the U.K. saved £70m. by being able to buy on the European cereals market. However, if the C.A.P. is inefficient, it does guarantee a steady income for farmers and it can be changed constructively from within the Community, not by refusing to acknowledge its existence. Current proposals for beef production are already a step towards reforms proposed by Britons of all parties.

### *Economic and Monetary Policy*

The Council of Ministers of the European Communities has already specified that the goal of full economic and monetary union should be reached by 1980. As one means to this end, the Community has accepted a policy of 'fixed but adjustable exchange rates' (similar to the Liberal idea of the 'crawling peg') in order to help individual countries to deal with their own monetary problems with the minimum of international repercussion. It has recognised that beggar-my-neighbour policies, for example, competitive devaluation, are eventually self-defeating and will even risk a generalised recession, whereas close co-operation within a vital world grouping would establish economic policies of mutual advantage. The provision of free movements of capital together with an effective regional policy should help equalise growth rates from the depressed areas, as their costs should at least initially be lower than the boom areas. Nevertheless, well-argued policies of purely national needs are still accepted by the Community for specific cases (cf. Danish and Italian emergency measures).

The Community provides added dimension to help with specific national problems, for example loans from the European Monetary Co-operation Fund.

But the energy crisis provoked by the renewal of the Middle East War in October 1973 has demonstrated that European partnership is still fragile. The British and French Governments have tried to make their own arrangements with the oil exporting countries, without regard to the interests of the other Community countries. As a result, the Community is unable to make a positive response to Dr. Kissinger's proposal for American, Japanese and European

co-operation to meet the crisis. This is not a failure of the Community as such, but a failure of Governments to live up to their undertakings as members.

### **The Reform of the E.E.C.**

Liberals have always strongly supported British membership of the European Community, but this commitment to the advantages of co-operation with our neighbours in Western Europe does not mean that we accept the present structure of power and control within the Community. The same principles that guide our reflections on the reform of British democracy hold good for the establishment of a working democracy in Europe. It is vital that there should be democratic control over the level of government at which decisions are really taken; thus control over Community policies should be exercised through the Community institutions. The procedures through which decisions are taken and implemented should be effective and efficient; this would involve a number of improvements in the machinery of the Council and the Commission. The way in which new policies are considered and old policies reviewed should be an open process, in which the European public and the groups affected can be consulted and have an influence. Decisions that directly affect the future of 300 million people should not be the product of secret haggling among small groups of ministers and officials. The national state in the modern world cannot be regarded as genuinely sovereign since there are, inevitably, many limitations on its powers.

Liberals believe that national governments on their own are not able to resolve many central issues of economic and international policy, and that the wider grouping of the Community offers the potential for more viable policies in this area. Co-operation in the Community will, in fact, increase the sovereignty of those participating. Membership of the Community is not, however, a panacea, nor should it be seen as a vehicle for establishing an entirely uniform Western Europe. Only those problems which really require an overall European approach should be dealt with at the Community level. We should, therefore, resist unnecessary harmonisation of policies and keep a place for justified variations in local, regional and national practice.

### *Institutional Reform*

The essential problem is that policy changes under consideration in Brussels are not only sweeping, but they are being forced through at an exceptionally rapid pace. Most sweeping of all is the proposal for economic and monetary union, with a target date of less than seven years ahead! The Community is an association of states that claims to prize the democratic process. Yet unless vigilant attention is given now to the development of the Community institutions, the end product could well be a centralised and bureaucratic structure of power, which would be both imperfectly subject to democratic control and remote from the people. The other danger is the evolution of a clumsy and ineffective set of ad hoc arrangements among governments, and these would not have sufficient cohesion or authority to implement their ambitious projects. In other words, if we allow events to determine the nature of the institutions, we are in danger of having either powerful institutions, which are both remote and undemocratic, or obscure intergovernmental compacts that lack the teeth to be effective. Either outcome would further exacerbate feelings of alienation and of frustration which are widely felt by the electorate.

### *Towards a Federal Unity*

Liberals have welcomed the pooling of sovereignty, which is what the Community is all about. We have now come to recognise that in real terms the establishment of an economic and monetary union, if it is to be viable, requires very substantial transfers of responsibility for economic and financial management from National to Community bodies, and calls for a considerable strengthening of central executive institutions within the Community framework. We insist, however, that if we are to see the creation of as dominant a concentration of power, there must be genuine democratic control of the executive bodies of the Community.

Recent years have seen the emergence of the Council of Ministers as the effective decision-making centre of the Community and a decline in the role of the Commission. This has meant that the supra-national character of the Community as originally envisaged has been weakened and that even the meagre weapon given to the Parliament to dismiss the Commission has become irrelevant, as the Council has been recognised as the predominant institution.

The balance is thus being tipped further and further away from the concept of European Federation towards 'L'Europe des Patries', so cherished by successive French Governments. This trend is unacceptable to Liberals for two quite different reasons: first, it is at odds with a Liberal view of a democratically constituted Community, which should be the basis of an eventual European federal government; second, the present institutional structure is ill-equipped to implement the Summit programme. Nobody suggests that we can in 1973 draw up a federal constitution for Europe. But if we recognise that this is our ultimate objective, then we must make sure now that the right foundations are laid.

Important economic and monetary powers cannot be efficiently or democratically wielded by a Council of Ministers that works on the unanimity principle, that takes exhausted decisions in the early hours of the morning, and that bears no responsibility to the European Parliament. There is a case for improving the means by which national parliaments can scrutinise the rules and regulations emanating from Brussels.

We would like to see the speedy establishment of an effective joint Committee with members of both Houses of Parliament, to scrutinise measures being introduced by the Community. But in the final analysis extra work in the national parliaments cannot be a substitute for a real increase in the powers of the European Parliament, a development which would in itself help to reduce the unbridled autonomy of national governments within the Council of Ministers. We firmly believe that the most effective control over executive power can only be exercised at the level where the power itself lies. This must be accompanied by a reassertion of the Commission's central role in making and implementing policy and by changes in the functions and procedures of the Council.

In the first stage, on which we are already embarked, the aim must be to restore the authority of the Commission, to increase the power of the Parliament, and to secure its direct election. The Commission should be made more directly accountable to the strengthened Parliament. The present fiction that they are appointed by the Council as a whole, rather than by each national government has worn rather thin.

### *The European Commission*

The Vedal Committee Report recommends that the President of the Commission should be confirmed in office by the Parliament. There seems no reason why the whole Commission, appointed as now, should not be subject to confirmation in office in this way, especially since the major power the Parliament now possesses is the right to dismiss the Commission. The possibility of a proportion of the Commission being elected by the European Parliament, not necessarily from among their own members, as a means of transition from national appointment to truly European appointment seems well worth considering.

The position of the Commission should be strengthened by increasing its rights of initiative and its powers of control and decision. A time limit should be fixed within which the Council must deal with the proposals of the Commission. The Commission itself should be composed of men prominent in the political life of their own countries rather than ex-civil servants, however distinguished.

A strengthened Commission of the sort that we envisage should develop closer and closer links with all levels of government and representative organs in member states of the Community. In the context of our proposals for the reform of British government, we therefore advocate direct access to Brussels on a continuing basis for Scotland, Wales and Northern Ireland, and for the provinces of England. We would also welcome similar contacts for regional bodies in the other member states. Elected representatives, officials and other regionally based organisations should have the opportunity to approach the Commission to discuss the formulation of the policies that concern them. Some consideration should also be given as to how contact between local authorities throughout the Community and the Commission might be developed.

### *The Council of Ministers*

Liberals want to see the end of the Luxembourg Compromise as soon as possible and the acceptance in the Council of Ministers of majority voting. It is the unanimity rule which, by making it necessary for the Commission to secure the support of every member nation before any action can be taken, frustrates, restricts and limits the power of the Commission. It would be a step forward to limit the use of the national veto to matters which are really of vital national interest. This was what the Luxembourg Compromise provided, although in practice the veto now extends to almost everything. Another approach, as currently proposed by the Commission, would be for the member governments to agree to announce in advance of discussion on a Commission proposal whether they regard it as a matter appropriate for the use of the veto. The hope is that no government could afford to announce this for every issue and so some minor matters would get agreed without threat of veto. We welcome this proposal.

The Vedal Report maintains that under the Treaties, the Council is the legislative body of the Community. The reforms it puts forward for increasing the power of the Parliament are, therefore, based not on replacing the Council by the Parliament, but on associating the Parliament with the decisions of the Council. Hence it is proposed that on a range of matters the Parliament should in an initial stage be given power to co-decide with the Council of Ministers. During this initial stage the Parliament would be given the right of consultation, including a suspensive veto, on a further range of matters. During a second stage the right of co-decision would be extended to the second list.

There is a danger in this dualism. It might prevent a gradual transfer of legislative power from the Council to the Parliament. It would lengthen further an already lengthy process. A more satisfactory approach might be to transfer bit by bit complete legislative authority in different spheres to the Parliament.

### *The European Parliament*

David Coombes and Ilka Wiebecke, writing in *The Power of the Purse in the European Communities* (Chatham House/PEP) said:

'... we think that it is vital that the European Parliament should have the power to approve the level of Community taxation. This power should belong to some parliament even though it has been taken away from the national parliaments of the member States. We see no other way of giving the European Parliament this power than allow it to approve the total expenditure of the Communities.'

Therefore, there should be, in the immediate future, an extension of the powers of the Parliament over the appointment of the Commission, the gradual transfer of the legislative power, sphere by sphere, from the Council to the Parliament (although this would require amendment of the treaties), and ultimate control by the Parliament of the Community Budget. As legislative power is transferred to the Parliament from the Council, some right of veto, even if for a temporary period, should remain with the Council. Thus the Council could be given the suspensive veto which Vedal proposed for the Parliament over the second list of subjects during the first stage of their proposals.

Programmes for Community action are being laid down increasingly at summit meetings by national heads of government. If we can strengthen the Community's standing and its accountability to the European Parliament, it is also desirable that programmes for future action should emanate from the Commission rather than from the national governments, if such programmes are to represent the interests of Europe as a whole rather than the sum of national bargaining positions.

### *Direct Elections*

Nothing would do more to increase the authority and the standing of the Parliament than the introduction of direct elections as envisaged by the Treaty of Rome. We totally disagree with the view expressed by Mr. Heath at Hampton Court on 2nd January 1973, when he said, 'I hope that our objective of a democratic community is not going to be misdirected by a desire to see direct elections to the European Parliament. I believe that we have so much to achieve, without diverting ourselves from our real objective by an argument on whether we have to have direct elections or indirect elections for our democratic system.'

This statement by Mr. Heath, in which he appears to suggest that it matters little whether we have direct or indirect elections now or ever, reveals a complete insensitiveness to the supra-national principles underlying the Community.

Our ultimate aim is a democratic federal Europe with representation in the Community institutions for nations like Scotland, and Wales, and the Regions of England, France, Germany and Italy.

### *Economic and Monetary Union*

The Liberal Party declared its support for the development of a monetary union with, as soon as possible, a common currency, in a resolution at the Scarborough Assembly in September 1971. But at the same time it recognised that monetary union needed to be accompanied by a co-ordinated economic policy, and specifically by 'common policies for regional development.' This was reiterated by the Scottish Liberal Party at its Aviemore Conference held in June 1972.

The Liberal Party endorsed the general commitment of the last Government and welcomed the commitment of the Community as a whole to move towards economic and monetary union. Where the Liberal Party differed from the Conservatives was in the awareness of the institutional needs and consequences of such an economic union. Mr. Heath, significantly, played down these feature of Community membership in his not very successful attempt to sell the terms of entry to the British public.

'The importance of political integration cannot be over-emphasised. Without progress towards political integration there can be no progress towards monetary union. Without monetary union there will always be separate, competing economic policies being pursued by the member states, and there will always be arguments about Community funds being disbursed not according to need but in order to give a fair return to each state for money contributed.'

Liberals want an effective European Regional Policy, but we appreciate that this is only likely to be introduced after further steps are taken to integration.

### *Reforming the Common Agricultural Policy*

Liberals also want a reform of the Common Agricultural Policy. We recognise the political difficulties which face our partners in achieving this. But we do well to bear in mind that, according to Mrs. Shirley Williams, out of food price rises of 20 per cent during 1973 only 1 per cent was due to our entry into Europe, where many food price levels are below world prices.

In terms of the Common Agriculture Policy, the present government's policy of food subsidies do not begin to get to grips with the price mechanism which is the real problem.

Liberals want to see the C.A.P. reformed to abolish all hidden subsidies so that it represents a just balance between the interests of consumers, efficient producers and the international trading. At present it is heavily weighted in favour of inefficient French and Italian farmers. We do not believe that a single price mechanism can fulfil two separate functions of ensuring reasonable prices for the consumer and an adequate return for the smallest farmer. We should like to see a much more competitive pricing structure established which will reward those who maximise production in the most efficient way possible, instead of guaranteeing artificially high returns to small and inefficient producers. In this way we could avoid what is wrongly called in this age of food shortage 'over production' whereby prices are kept artificially high even when produce is plentiful and so that there are artificial gluts. This would allow a more realistic and stable price mechanism to be developed. Here Liberal policy spelled out at Southport in 1973, is far in advance of Labour or Tory policy. (See Agriculture Chapter 15).



## Renegotiation, Referendum and the Threat of Withdrawal

### *Renegotiation: Labour Double-Talk*

The main point to emphasise is that the undertaking given by the Labour Government to 'renegotiate the terms of entry' is an elaborate sop to the anti-market left wing of the Labour Party. Provision was made in the original terms agreed for continuing negotiations on such fundamentals as the British contribution to the Community budget and Mr. Callaghan in going to Brussels has merely exercised the rights inherent in that agreement.

Russell Johnston in the debate on Europe on 11th June 1974 summed up the situation as follows,—'What we are witnessing is not really a fundamental renegotiation of the treaty by the British Government with our other partners in the Community but a fundamental renegotiation within the Labour Party of its attitude to Europe.'

In fact the Labour Party cannot even agree on what its representatives in Brussels should be renegotiating. Mr. Callaghan has stated emphatically that:

'We do not propose to renegotiate the treaties. We did not say that we would. This was not a hare raised by us. It will not be found in the Labour Party Manifesto, and it is not that that I clutch to my heart, whatever anyone else may say. I can promise the House that I know this section of it better than anyone else in this Parliament, and I shall continue to adhere to it.'

*(House of Commons Debate on 11th June 1974).*

Mr. Norman Atkinson, a back-bench left-wing, anti-marketeer takes a different view, however:

'We say clearly in our policy statement that we do not wish to allow foreign competitors to move into certain areas where we want a democratically-controlled State monopoly. That is our purpose as socialists, and it is in direct conflict with the treaty. Therefore, we have fundamental objections to the idea that we can accept the treaty in total.'

*(House of Commons Debate 11th June, 1974).*

The Liberal attitude towards renegotiation was put categorically by Russell Johnston in the House of Commons:

'While we on this bench will certainly support the achievement of a fairer adjustment of terms, which is essentially what the Foreign Secretary is talking about, we remain deeply disappointed at the lack of evidence of determination to build a more effective, a more egalitarian and a more democratic community and at the failure of the Government to give their support to those who seek furtherance of these aims, which are those on which we should be concentrating.'

### *Referendum*

On 9th April 1974, the Labour Government published a White Paper—Renegotiation of the terms of entry into the European Economic Community (Cmd 5593) which set out its official policy for public consultation on whether Britain remains within the E.E.C.:

'In view of the great importance of the issue of Membership of the Community, the Government is now engaged in a root and branch review of the effect of Community Policies and will place before you in due course in detail, the proposals which we would wish to see the Community adopt in order to remedy the situation.'

Once again there is a major split in the Labour Party over whether this act of consultation should be through a General Election, a referendum or some other means. Asked on television whether he would use an election or a referendum, Mr. Wilson was non-committal:

'One of the two—we haven't finally decided. I've always kept this option open and I don't apologise for that. Of course, whether the country would want, shall we say, three general elections in a row—in a short period of time—is a question to be answered . . . A referendum may be the answer, we shall be ready to have this.'

*(B.B.C. Television 'Nationwide' 8th August 1974).*

Some people, however, have already made up their minds on the subject, particularly the Labour Party Conference 1973 and the left-wing of the Labour Party. Mr. Norman Atkinson made their position clear in the House of Commons:

'We ought to make it clear to everyone that the Labour Party, if elected in October, or whenever the election may come, is 100 per cent committed to the idea of a referendum. We have to tell the British Labour movement that the conclusions it reached at its annual conference are the guidelines which set the direction we must follow as individual Labour Members of Parliament.'

It should be noted that if the Labour Party finally decides to hold a referendum it will represent a complete volte face for in 1972 both Mr. Wilson and the Labour Party Conference were staunchly opposed to a referendum.

The immense difficulties in holding a referendum on European membership were outlined by Rt. Hon. Jeremy Thorpe in a speech to Liberal Candidates on 16th July 1974:

### *The Constitutional Principles Involved*

'The case usually advanced for holding a referendum is that changes in the system of Government require the direct consent of the people. That was why all Parties in the House of Commons supported the Bill for a referendum in Northern Ireland on whether or not the Province should form part of a United Ireland or remain part of the United Kingdom. But if for the Labour Cabinet, as for the last three Parliaments, the question of principle of membership of the E.E.C. is settled, can it make sense to hold a referendum on modifications of technical matters like the C.A.P. ? We cannot conduct Budgets by referendum.

If on the other hand, notwithstanding their support in principle for membership of the Community, Mr. Wilson and his colleagues feel obliged to submit that question to a referendum because of its Constitutional importance, they must tell us whether the same right will be conceded on other Constitutional questions. Will the British people, for example, be allowed to choose a new electoral system? That is a major Constitutional change. Then there is the question of some measure of autonomy for Scotland and Wales, recommended in the Kilbrandon Report on the Constitution. That is a Constitutional issue if ever there was one. It involves, as the Treaty of Rome does, the transfer of some powers from Westminster. Will the British people as a whole, or the Scots, or the Welsh, be asked to give, shall we say, 'their full-hearted consent' through a referendum? If not, why not?'

### *The Threat to Parliamentary Sovereignty*

'It is agreed, and was agreed during the prolonged parliamentary debates over British membership of the European Community that there is no Constitutional way by which a British Parliament can irrevocably surrender its sovereignty. 'No Parliament can bind its successors' is the phrase used. The result of a referendum can only be a recommendation to MPs. In a referendum people will be entitled to vote quite freely. It will be ironic if the House of Commons is the one part of the British body politic which is not allowed to express its views freely on the merits of the case. Can Mr. Wilson assure us that he will allow a free vote on a referendum bill and a free vote on what to do following the result of a referendum? If he is not willing to give such an assurance he will be acquiescing in a massive surrender of Parliamentary powers and so set a very dangerous precedent for the future.'

### *The Problems of Renegotiation*

'I must ask the Prime Minister whether he is aware that the suggestion that we may hold a referendum on our membership of the E.E.C., *after* we have ratified the Treaty of Accession, is gravely hampering the work of our negotiations—sorry, renegotiations—in Brussels?

It is true that of the eight other members of the Community, Denmark and Ireland held referenda to decide on the question of membership and France held one on whether or not the Community should grow from six to nine. But these referenda were held *before* ratification of the Treaty of Accession. They were part of the process of ratification. But a referendum held in a member country after it has ratified the Treaty, asking whether it will abide by its obligations under the Treaty, obviously puts a great strain on the whole conception of international law and supra-national partnership. Now our partners are full of doubts.

They have to ask themselves whether the British negotiators have the will or the power to keep their side of a bargain. Their willingness to make concessions to British interests are correspondingly reduced.'

Russell Johnston put on record the Liberal Party's official position on a referendum and also commented on the difficulties of holding an election on a single issue, in a speech in the House of Commons:

'I am not, and my party has not been, in favour of a referendum, but it seems more than likely that a referendum will take place when the Labour Party is well committed to it. I cannot see how on earth there can be a General Election on a single issue. A General Election takes place on a multiplicity of issues and it is impossible to isolate one and claim that it is a clear definition.'

### *Withdrawal*

In spite of the hostility expressed by leading members of the Labour Cabinet towards the European Communities, in particular by Mr. Benn and Mr. Shore, Mr. Wilson and Mr. Callaghan remain pro-European in principle. This was made clear by Mr. Wilson in a television interview on 8th August 1974. Asked whether it was his wish and that of the cabinet that renegotiations should succeed so that Britain can stay in Europe, Mr. Wilson replied:

'The Foreign Secretary, with the full authority of the Cabinet, is negotiating with intent to succeed.'

(*B.B.C. T.V. 'Nationwide', 8th August 1974*).

Mr. Callaghan's second speech to the Council of Ministers also suggests that the threat of withdrawal in his first speech in April, which so offended our partners, was bluff designed to appease those in the Labour Party hostile to the Community.

Nevertheless, there is still a great danger that the Labour leadership will get itself in such a mix-up over renegotiation that it will have no alternative but to withdraw, under pressure from its left wing. It is therefore important for the Liberal Party to make clear to the British people the exact consequences of withdrawal.

Firstly, we should emphasise the grave economic consequences for Britain if we cut ourselves off from free access to our largest market and from Community backing for the pound. Costlier imports would make inflation worse. Unemployment, falling living standards and economic stagnation would develop. Our prosperity depends on Europe and we must see that this is understood.

Secondly, we should emphasise that the prosperity of Britain and of our European partners does not merely depend on staying in the Common Market but on our ability to realise the aims of European unity. The Community is meaningless, in the long-term, unless there is a positive movement towards political, economic and monetary union. If this does not come about, there is no point in continuing with the E.E.C. What is so depressing about Mr. Callaghan's speeches in Brussels and the Labour Party's White Paper is the absence of any such vision of the future.

Britain joined the Community because she realised that she could no longer safeguard her economic and political interests alone and required to do so in concert with other countries of similar interests. It is this central concept of the evolution of a common political and economic approach in Europe which Mr. Callaghan seems to call into question.

Even in his references to the Atlantic Alliance, which Liberals accept as a basic element in the structure of the free world, there seems to be a harking back to a time that is past. Britain alone can no longer be an equal partner with the U.S. Europe can.

In contrast to the Labour spokesman, Jeremy Thorpe has spelt out the harsh realities of the situation:

'There is really no alternative to membership (of the E.E.C.) except a decline into isolation and bankruptcy. The special relationship with the Americans can only prosper in an anti-European context and we have already burnt too many boats for a return to that state. It is becoming clear daily that the Commonwealth is making its own way—and doing very well at it.

If we withdraw from Europe we will be facing political and economic disaster and the sooner we face up to that the better.'

*(Press Association Speech, 12th June 1974).*

## 17 FOREIGN AFFAIRS AND DEFENCE

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### LIBERAL POLICY AIMS

- 1 To play a leading role in transforming Western Europe into a peaceful and united democratic international community through our membership of the European Economic Community.
  - 2 To maintain confidence in the United Nations and strengthen its authority in international disputes.
  - 3 Pending a satisfactory agreement on controlled nuclear and conventional disarmament, to support membership of the Western Alliance for our ultimate defence.
  - 4 To play a full part in closing the gap between rich and poor countries.
- 

### THE INTERNATIONAL SCENE

During the early 1970's the international scene has become more stable generally. The Cold War has continued in Europe, although there has been no open hostility between the Soviet Bloc and the West while a series of chronic wars and disputes have broken out elsewhere.

The two Super-Powers have learned to live together since the late 1950s by obeying certain unwritten rules. As Lord Gladwyn put it:

'The theory of the Balance of Terror is that in areas where they are directly opposed to each other, where there is actual military confrontation, neither side does anything to provoke a military clash, whereas in areas where they both have interests but are not directly opposed militarily, they are, so it would appear, at liberty to pursue their own interests and promote those of their friends and allies only up to a point at which there is a real risk of their becoming directly involved themselves'.

*Speech to the Liberal Summer School, 21st July 1967.*

The nature of disputes has changed as a result of this. Apart from the open confrontation in South-East Asia, recent wars have been short and localised, and instead, there have been longer periods of friction. While the world is dominated by nuclear giants there is the danger that a serious local disturbance could trigger off a much wider conflagration. In this situation, it is essential that new mediating diplomatic powers should make their voices heard both in the United Nations and in the big power circles.

In this context, British foreign policy has failed. Too often British statements and actions abroad fall between two poses—that of a former imperialistic nation and that of a nation attempting to bring about a 'British' sense of justice. In taking up such a position we gain little influence in decisions made and are often worst hit by the recriminatory sanctions of other countries, e.g. Middle East oil.

The basic aims of the Liberal Party's foreign policy were embodied in a Report of its Advisory Panel on Foreign Affairs, published in September 1967.

Our Assembly Resolution based on the Report recognised the dangers of nuclear proliferation and racial tension and called for:

- a a determination to prevent the further proliferation of nuclear weapons;
- b a renewed commitment to international co-operation, combined with an effort within the United Nations to extend membership to all countries and to promote the creation of international peace-keeping forces for areas of special tension;
- c a determination to help the developing countries by technical and educational assistance, direct investment and generous trading policies;
- d a determination to fight racialism at home and in all those territories where Britain has influence or responsibility.

However much Britain may attempt to influence international events, either directly, or through membership of organisations, Liberals long ago concluded that we should abandon our 'world peace-keeping', role and concentrate our energies nearer home. A policy now accepted by nearly everyone except the Conservative Party.

## EUROPE

Dean Acheson's famous saying, 'Great Britain has lost an Empire and has not yet found a role', was a condemnation of our ruling politicians' lack of foresight. Our role was, and still is, in Europe. Sir Winston Churchill recognised this, but then shied away; and we had to wait nearly 20 years before a Conservative Government took the first hesitant steps along the path to European unity.

As long ago as 1945 a Liberal Assembly had declared that it should be the aim of British foreign policy to strengthen the bonds between this country and the countries of Western Europe. Clement Davies, then Leader of the Liberal Party, hailed the Schumann Plan as the 'greatest step towards peace which has ever been taken, and called upon the Labour Government to take part with the others in working out these proposals for the benefit of all. (*Hansard 26th June 1950.*) A chronology of the Liberal Party's commitment to the European idea is included in *Partners for Progress*, 1964, pp. 227-228, and recognition of Liberals being right was given by that latter-day pro-Marketeer Harold Wilson. In answer to a question put by Jo Grimond, he said:

'The Right Hon. Gentlemen will have great justification in claiming that his party was in favour of this long before any other.'

*Hansard 10th November 1966.*

But European unity is more than a political ideal; it is also of very great diplomatic importance in a world that is increasingly being dominated by the superpowers. As Jeremy Thorpe has said:

'If we want a counterbalance—and I believe that we do—it must be a democratic Europe that is outward looking, united in its defences, its economic affairs and its foreign policy, that should be the Government's objective in foreign affairs.'

*Hansard 31st October 1973, vol 863, col. 218.*

## N.A.T.O., AMERICA and EUROPE

Liberals put the greatest emphasis on Europe because it is there that Britain can play a great constructive part. Unlike the other two parties, Liberals see the evolution of our foreign policy as taking place with a Europe which has become a political entity, governed by a democratically elected parliament

which would formulate a distinctive European foreign policy. From this would also emerge a common defence policy.

Our long-term objective was set out in a resolution approved at the Margate Assembly in 1972:

'... the creation of a peaceful and united Europe including both East and West, dependent upon neither the United States nor the Soviet Union. The United Kingdom should use its membership of N.A.T.O. to further this end.'

Britain's entry into the European Communities has had inevitable consequences for our foreign policy, particularly with regard to the so-called 'special relationship' with the United States. Although the United States welcomed our accession to Europe her Government recognises the inevitability that Britain will be drawn closer to her European allies with a consequent lessening of American influence. This fact has consequences for both our defence posture and our attitude to world events. Within N.A.T.O. the United States is feeling progressively more embattled as an international provider for an organisation of which eight out of the thirteen members belong to a separate political and economic organisation yet rely on the military strength of N.A.T.O. and the American nuclear umbrella for their defence. In the last year the British Government has stepped up its contribution to the collective defence of the N.A.T.O. area in common with our N.A.T.O. allies in Europe, and it should also be borne in mind that European members of the Alliance provide some 90 per cent of the soldiers, 80 per cent of the naval forces and 71 per cent of the air force for defence in Europe, notwithstanding the fact that the United States provides approximately 75 per cent of the total N.A.T.O. budget. The Liberal Party is committed to working through the institutions of the Common Market for an independent and non-nuclear common European defence policy, in spite of the attitude taken by France towards nuclear testing. Speaking in the House of Commons on 31st October 1973 Jeremy Thorpe made clear our attitude: 'Now is the time when we should be moving towards common foreign and defence policies in Europe. The events in N.A.T.O. and the criticisms that have been made of the United States and its alert make it all the more important that Europe should have a limited defence policy.'

*(Hansard, Vol 863, col 216-7.)*

Nevertheless we recognize that until there is a very substantial reduction in both nuclear and conventional armaments, our membership of N.A.T.O. and the Western Alliance will remain a cornerstone of our defence policy. This has been underlined by Russell Johnston, the Liberal spokesman on Foreign Affairs:

'... The absolute urgency of defence co-operation by the European members of N.A.T.O. is a fact that no political party can ignore.'  
(Statement, 15th July 1974.)

The continuing crisis over the devaluation of the U.S. dollar since October 1971, followed by the Smithsonian agreement and the opening of a further round of multilateral trade talks within the framework of the General Agreement on Tariffs and Trade (G.A.T.T.) in 1973 all serve to emphasise not only the continuing interlocking of North Atlantic and European interests but the complex network of international agreements which already exists and which cannot easily be ignored. Indeed Herr Willy Brandt has been reported as saying that there can be no system of western European Unity without the security of the Atlantic Alliance.

There need be no necessary contradiction between a policy which seeks closer European co-operation on the one hand the continuation of the Atlantic Alliance, on the other, as long as there is an adequate network of communication which will allow possible inconsistencies and disagreements to be ironed out. The development of the machinery for such communication is not made any easier by the refusal of France to rejoin N.A.T.O. In these circumstances it may well be the necessary to look outside the immediate confines of the E.E.C. for such a forum. Speaking in a debate on Western Europe United States Relations in the House of Lords, Lord Lloyd of Kilgerran made precisely this point:

'It seems to me that the time has come where we really must be practical and urgently endeavour to establish some kind of new machinery, or certainly a modification of the existing machinery for greater collaboration not only between countries of Western Europe but between the countries of Western Europe and the United States. I again make a strong plea to the Government that they should support the use of the Western European Union as a forum for this matter.'

*(Hansard 3rd April 1974, col. 929.)*

Both the Government and Opposition spokesmen agreed that this suggestion was well worth pursuing.

### **The Future of N.A.T.O.**

The preamble to the North Atlantic Treaty signed in Washington D.C. on 4th April 1949 is as follows:

'The Parties to this treaty reaffirm their faith in the purposes and principles of the United Nations and their desire to live in peace with all peoples and all Governments. They are determined to safeguard the freedom common heritage and civilization of all peoples on the principles of democracy, individual liberty and the rule of law. They seek to promote stability and well being in the North Atlantic area. They resolved to unite their efforts for collective defence and for the preservation of peace and security.

They therefore agree to this North Atlantic Treaty.'

Liberals accept that the hitherto realities of N.A.T.O.'s co-existence with the Warsaw Pact have necessitated greater emphasis on the security aspects of N.A.T.O. to the detriment of the ideals. Nevertheless we believe that now, 25 years after its inception (an event which passed off with little comment and no celebrations), is the time for a fundamental review of the *raison d'être* of the organisation in order to redirect emphasis to its original purpose which was to defend democracy.

With this ideal in mind it is natural that Liberals were disturbed at the continued membership of N.A.T.O. countries such as Greece and Portugal, both erstwhile dictatorships, whose new governments have yet to submit themselves to democratic elections. Russell Johnston placed on record the Liberal attitude on 28th June 1973:

'I wish to make it clear that I favour contact with nations or regions of which I do not necessarily approve. I am in favour of contact with the Soviet Union and the G.D.R. but that does not mean that I wish to be in alliance with them or anything of the sort. If N.A.T.O. is an alliance of the defence of freedom, its membership should reflect what it seeks to do.'

*(Hansard, Vol. 858, col. 1783.)*

However, the Conservative Party—and until recently, the Labour Party



also—does not share this view. The official Conservative Campaign Guide February 1974 said:

‘Portugal and Greece are both N.A.T.O. allies of this country. The fact that their systems of Government are substantially different from our own is not considered by the Conservative Government as a good reason for ending the relationship. Nor was it so considered by the last Labour Government’.

*(The Campaign Guide, 1974 p. 569.)*

The hypocrisy of Labour’s position on N.A.T.O. and its demand that the celebration of the 600th Anniversary of the Anglo-Portuguese Alliance should be cancelled, is amply illustrated in a speech by the then Labour Prime Minister Harold Wilson in February 1969:

‘Portugal is of course an old and loyal ally within N.A.T.O., but this does not mean we support her policies in Africa.’

*(Hansard 11th February 1969, col. 1117.)*

To which Sir Alec Douglas-Home replied for the then Conservative Government, in July 1973:

‘that too is our position . . .’

*(Hansard 17th July 1973, col. 277.)*

### **The Future of the Commonwealth**

Britain’s membership of the European Economic Community, has naturally had repercussions on the Commonwealth and Britain’s Association with a number of member countries has met difficulties of an economic and political nature.

But although the political cohesion, and the economic significance of the Commonwealth is largely a thing of the past, Liberals believe that it can achieve a new role. Instead of rotting away as an Imperial relic, the Commonwealth can become a cross-fertilisation of different cultures, a communications organisation of a unique kind.

Any organisation, which can permit frequent and amicable meetings between say India and Pakistan needs no other justification. Any organisation which can assure the emerging states of Africa that not every white nation sees issues in racial terms can claim to have a healing influence. Any organisation which endeavours to narrow the gulf between rich and poor can claim to be making a contribution to World peace.

### **Commonwealth and the E.E.C.**

Liberals do not believe that Britain’s entry into the E.E.C. would be detrimental to the Commonwealth. Speaking in Montreal on his tour of Canada, Mr. Jeremy Thorpe said:

‘Nobody who values, as I do, the Commonwealth connection can fail to be concerned at the problems posed for New Zealand and a sugar producing island like Mauritius. But taking the long view I believe that the interests of nearly everybody will be better served by British entry.

‘If and when we are in, our interests in overseas trade will strengthen the Liberal elements among the Six. The interests of Holland and Italy for freer trade with the outside world will be powerfully reinforced.

‘The growing prosperity of Britain will permit us to do far more in providing aid to the poor nations of the world. Some of the Six, and notably France, have an honorable record in this respect already.’

*28th April 1967.*

Events have proved the truth of these words. In spite of the outcry of the Labour Party against the Conservative Government's handling of Commonwealth sugar agreements, sugar is fetching a higher price on the world market than it is within the E.E.C. and Commonwealth producers, are naturally anxious to get the highest possible prices for their produce hence they prefer to sell on the world market. The same cannot be said of all Commonwealth produce, but the Common Market has readily acceded to Britain's request for special preference for New Zealand butter.

## **Rhodesia**

Liberals have not wavered in their opposition to the illegal Smith regime. Just as Liberals opposed a settlement on the basis of Mr. Harold Wilson's 'Fearless' proposals, which would have been a complete sell-out, so did they oppose the terms negotiated by Lord Goodman for a settlement as incompatible with African rights. The Liberal position was summarised in a resolution approved by the Liberal Party Council on 27th November 1971:

'This Council of the Liberal Party, gravely concerned about the future of the Rhodesian peoples, maintains that no settlement can be imposed unless it is accepted by the majority of Rhodesians irrespective of race, creed or colour.

'It therefore views with grave misgivings the proposed arrangements for the test of acceptability of the agreement secured by Her Majesty's Government, and calls for the following guarantees to ensure that all Rhodesians can express equally and freely their unfettered opinions on the proposals:

- 1 a national referendum on the basis of one man, one vote;
- 2 the release of all political prisoners held without trial;
- 3 an end to censorship;
- 4 the withdrawal of all restrictions on peaceful and democratic political activity by all political parties;
- 5 equal access for all political parties to the broadcasting media.

Lord Goodman's report indicating African rejection of the proposals was greeted with relief by the Liberal Party. It is difficult to see what might come of any so-called 'negotiations' which the Conservative Party proposes, should it be returned to power. Rhodesia now declares itself to be a Republic, and has severed ties with Britain.

The imposition of sanctions has had a limited effect. Nevertheless Liberals believe they must be maintained and strengthened where possible. Any action which gave millions of black Africans—in Rhodesia or elsewhere—the impression that Britain was backing down on her principles, or that she was washing her hands of the whole affair, would cripple the future prospects of harmony between races.

## **Practical Initiatives by the Commonwealth**

Mr. Jeremy Thorpe M.P., speaking before the Commonwealth conference in January 1969 said:

'The Commonwealth is the only body in the world in which 28 leaders, representing 800 million people from every continent in the world, of every colour and of widely diverse political systems and standards of living can sit down in conditions of complete equality and relative trust.'

Mr. Thorpe hoped for practical results from Commonwealth co-operation.

'1 First Britain must re-emphasise her own commitment to multi-racialism.

2 The Commonwealth should agree to take the initiative at the United Nations to bring about international agreement on the sale and supply of arms by one country to another. This could help to reduce tension in many parts of the world.

3 The Commonwealth Secretariat should be strengthened so as to increase investment, trade and technical assistance amongst members of the commonwealth.

4 There should be a full and frank discussion about problems relating to immigration, with a view to obtaining multi-lateral agreement on the diverse problems involved.'

*4th January 1969.*

## **Uganda**

It is quite obvious that the actions of the Ugandan Government in expelling the Asian Community were directly contrary to the spirit of Mr. Thorpe's remarks. Accordingly he has called for the expulsion from the Commonwealth of the present Ugandan regime.

## **Gibraltar**

Liberals believe in the right of the Gibraltarians to decide their own future. Article 192 of the United Nations Charter states the main purpose of the United Nations to be:

'To develop friendly relations among nations, based on respect for the principle of equal rights and self-determination of peoples.'

In August 1966, Mr. James Davidson the then Liberal spokesman on Foreign Affairs, urged the Government to hold a Referendum in Gibraltar. His idea was rejected then and again when he proposed it in February 1967. However, four months later the Government announced that a Referendum was to be held in Gibraltar, so that the people themselves could say whether they wished to pass under Spanish sovereignty or remain voluntarily linked with Britain. The Referendum was held in September 1967. The result: For British rule 12,138 for Spanish rule 44.

## **Cyprus**

The overthrow of the Makarios government by the Greek dictatorship prior to its own fall, was an act of tragic callousness reopening the bitter wounds of the 1950's and early 60's. Concrete proof has been provided of excesses of cruelty and torture inflicted on its opponents, mainly Greek Cypriots by the Makarios regime, which Liberals equally abhor. Nevertheless Archbishop Makarios was the democratically elected President of Cyprus and his violent overthrow does not enhance the reputation of Greece within N.A.T.O., nor the legitimate claims of Greek Cypriots. Liberals do not believe that partition is the answer to the problems of two racial entities attempting to co-exist in one territory; artificial boundaries really serve to perpetuate and exacerbate racial and religious differences. We support the efforts made by the Labour Government as joint guarantors of Cyprus (with Turkey) in co-operation with the United Nations to produce a just solution with the minimum of violence.

## **The Far East**

For many years—even before the 1966-70 Labour Government was forced by economic circumstances into coming to the same conclusion, the Liberal Party had said that this country is not able to support a world peace-keeping role East of Suez.

In a defence debate in February 1967, Emlyn Hooson Q.C., said:

'I came away from the Far East absolutely convinced that there was no role that this country could or should effectively play there in the 1970's . . . I do not believe that a world peace-keeping role is desirable for any national country of our size outside the auspices of the United Nations. For a country of our size, the cost is too great for effectiveness, in any event, but there is also the great danger of propping up reactionary regimes and preventing normal processes of reform from working and driving people into extreme action through a mistaken intention on our part of maintaining stability in a given area.'

This still remains the attitude of the Liberal Party.

After declaring that this country had a role outside Europe, in which it was supported by the Conservative Opposition, the Labour Party changed its mind in July 1967, announcing the reduction of about half our forces deployed in Singapore and Malaysia by 1970-71 with a complete withdrawal by the mid-70's. Following devaluation, this withdrawal was accelerated to take place by the end of 1971.

One of the first acts of the new Conservative Government was to reverse this policy and negotiate a 'Five Power Defence Agreement' between Britain, Australia, New Zealand, Malaysia and Singapore on the setting up of a defence arrangement. The essence of the Agreement which came into effect on 1st November 1971 is an undertaking to consult together 'in the event of any form of armed attack, externally organised, or the threat of such attack, against Malaysia and Singapore.' (London Communique, para 5.)

A joint Consultative Council consisting of service officials from each country was set up and an integrated Air Defence System was based in Northern Malaysia.

Arrangements received a blow in early 1973 with the Australian Government's announcement that it intended to withdraw its battalion and battery from Singapore by early 1974 and most of its support troops by April 1975 though it would continue to support the Agreement.

New Zealand however confirmed its intentions to keep troops in Singapore and Malaysia as long as required by the two countries. This was also the intention of the Conservatives as Lord Carrington pointed out:

'While our partners do the same, we are determined to keep British forces in the area as long as they are wanted by the Malaysians and the Singaporeans.'

*(House of Lords, 1st March 1973.)*

How long this tenuous arrangement can continue remains to be seen. So far the Labour Government have made no official announcement regarding the five power agreement although the troops at present patrolling the peninsula are presumably earmarked for removal as part of the planned defence cuts.

In the House of Commons on 13th May 1974 Mr. Roy Mason the Defence Secretary merely said:

'We shall have in our minds the decision taken by the Labour Government in 1968 that our forces should be withdrawn from South East Asia, and we shall have to take stock of that situation.'

Because of the developments since 1968 in our Far East commitments we attach special importance to early consultation with the other Governments in the Five Power Defence Arrangements.' *(Hansard, Vol. 853, col. 919).*

Despite Labour's equivocation, the Liberal position remains unchanged Russell Johnston pointed out in the House of Commons:

'We must complete the phased withdrawal of British forces from the Middle East and South East Asia, although there are not many forces left there, and replace them with technical and training assistance.'

(Hansard 2nd July 1974.)

The continuation of the British military presence throughout the world has three grave disadvantages. Firstly, it remains a heavy burden on our balance of payments. Secondly, it prevents Britain from becoming truly European. Germany, Italy, Belgium and Holland have now abandoned their overseas commitments and as a result are not unduly inconvenienced by events several thousand miles away. They gain more respect from third countries for their lack of direct interest and are able to concentrate more on the positive remedies of increasing trade links, economic aid and investment in developing countries. Lastly the very presence of British troops in restless areas prolonged the cry of 'neo-colonialism' and prevents any real steps towards creating an international force under United Nation control. The presence of British troops to protect infant regimes is often a propaganda weapon in the hands of extremist opponents. While Britain maintains direct military interests abroad she will not be able to press for, or take part in the creation of, impartial, international policing forces.

From the military point of view British troop presences are no longer credible. The illegal Rhodesian regime was not brought to heel by military means. A military presence could not prevent the closing of the Suez Canal or even the cessation of the flow of oil to Britain. If India were attacked, the United States and not Britain would be her protector.

In the short-term we have to recognise the existence of the Conservatives' 'Five Power Agreement' the military side of which will take time to dismantle. But in the Liberal view such a proposal should never have been implemented and was an attempt to slide out of the financial implications of an anachronistical and absurdly grandiose policy. As the *Financial Times* observed at the time the proposal was first mooted:

'No-one pretends that anything that could be done by Britain, Australia or New Zealand could protect the two countries (Malaysia and Singapore) against a full scale invasion by a major power, or for that matter against an internal collapse of the kind which seemed to threaten Malaysia during the weeks following last summer's (i.e., 1969) riots. To guard against the first of these contingencies would require guarantees from the great powers themselves.'

(7th January 1970.)

In our view, instead of building up this exorbitant cost, the British government should aid the building up of the industrial strength of countries like Australia and New Zealand so that they can provide their own and help in the regional development of wealth in South East Asia. Token British military aid would, in many respects be worse than no aid at all. Of course Britain still possesses extensive financial interests but she spends as much, if not more, in protecting them.

Prof. Laurence Martin, writing in the *New Statesman* on 24th January 1970, commented that there was virtually unanimous agreement:

'that military action to compel favourable investment policies on developing nations is neither proper nor—more conclusively—practicable.'

We realise that British withdrawal from the Far East would entail the need

for re-negotiation of the S.E.A.T.O. Pact with a view to Australia taking over the current British obligations in that theatre.

There are short-term economic hardships which will be suffered by small garrison states such as Singapore and Malta. In such cases, economic aid should be made available to build up their self-sufficiency, in the absence of a military presence. The whole operation of withdrawal from overseas bases except Hong Kong, should be planned in consultation with the leaders of the countries concerned and should be phased in order to reduce economic hardship.

We should not pretend that this country can be relied upon to defend Hong Kong from outside attack, unlikely though that may be; we must concentrate on maintaining the powerful police force.

There might well be a case for Britain's providing a limited force to help with the general defence of Australia and to co-operate with the Americans and other states concerned in any general scheme for the defence of South-East Asia which may be decided upon following the Vietnam war. But if such a force is provided it should be based on Australian territory. Australasian communications should cease to be routed eastwards through Simonstown (Suez must be regarded as an indefinite uncertainty) and, instead, be routed 'westabout' through the Pacific and the Panama Canal. American interest in the defence of Australasia should ensure the safety of this route.

If a European Defence Community is eventually formed and decides that such a contribution to the defence of South-East Asia is right in principle, it should become a European and not a purely British force. But, in general, it does not seem at all likely that, high sounding declarations and gestures apart, Britain or, for that matter, France, would play any significant role in a rapidly developing world, until and unless they came together in some wider European entity.

## The Middle East

The basis of Liberal policy towards the almost intractable problem of the Middle East is an insistence of the right of Israel to a free, prosperous independent and permanent existence. We have recognised that the alleviation of the very serious Arab grievances, requires a careful drawing of boundaries whilst repeatedly asserting that there can be no *permanent settlement* until the right of Israel to exist in peace is formally recognised by all her neighbours.

The 'six-day' War of 1967 resulted in Israel's occupation of the Sinai Peninsula, the Golan Heights (on the border with Syria), Jerusalem and the Gaza Strip. Between 1967 and the outbreak of the October War in 1973 the boundaries which existed as a result of the June 1967 war remained almost the same. The one major development was the passage of Resolution 242 through the Security Council of the United Nations. This resolution, which was accepted by all three major parties in Britain as well as the two main protagonists in the Middle East, was sponsored by the then Foreign Secretary Mr. George Brown. The full text is as follows:

'The Security Council,

Expressing its continuing concern with the grave situation in the Middle East. Emphasising the inadmissibility of the acquisition of territory by war and the need to work for a just and lasting peace in which every State in the area can live in security.

Emphasising further that all Member States in their acceptance of the Charter of the United Nations have undertaken a commitment to act in accordance with Article 2 of the Charter.

- 1 Affirms that the fulfilment of the Charter principles requires the establishment of a just and lasting peace in the Middle East which should include the application of both the following principles:
  - (i) Withdrawal of the Israeli armed forces from territories occupied in the recent conflict.
  - (ii) Termination of all claims or states of belligerency and respect for and acknowledgement of the sovereignty, territorial integrity and political independence of every State in the area and their right to live in peace within secure and recognised boundaries free from threats or acts of force.
- 2 Affirms further the necessity:
  - a For guaranteeing freedom of navigation through international waterways in the area.
  - b For achieving a just settlement of the refugee problem.
  - c For guaranteeing the territorial inviolability and political independence of every State in the area, through measures including the establishment of demilitarized zones.
- 3 Requests the Secretary-General to designate a Special Representative to proceed to the Middle East to establish and maintain contacts with states concerned in order to promote agreement and assist efforts to achieve a peaceful and accepted settlement in accordance with the provisions and principles in this resolution.
- 4 Requests the Secretary-General to report to the Security Council on the progress of the Special Representative as soon as possible'.

As Jeremy Thorpe described it:

'In Resolution 242 there is an enormous degree of ambiguity. Were it otherwise, there would have been no agreement when the resolution was introduced'. (*Hansard, 31st October 1973, Vol. 863, col. 213.*)

For what the resolution tried to do was to reconcile two fundamental, and almost irreconcilable, claims: the Israeli need for security and the Arab claim of sovereignty over Arab lands.

Almost inevitably, in a situation of 'neither war nor peace', war broke out again on 6th October 1973, when Egyptian and Syrian forces crossed the 1967 borders—which neither of them recognise. When the U.N. call for a ceasefire took effect, Israel had regained the Golan Heights on the northern side lost in the first few days of the battle, and pushed deeper into Syria on the road to Damascus. The Egyptian Army which had crossed the Suez Canal succeeded in maintaining a foothold in Sinai but Israeli Units crossed the Canal and invaded the West Bank south of the Egyptian forces and thereby effectively cutting off the retreat of the Third Army and isolating the town of Suez.

Three emergency resolutions were passed by the United Nations during this period all by 13 votes to 0 with China abstaining:

Resolution 338 (21st October) called for an immediate end to the fighting with the opposing forces remaining in the positions they were occupying at the time; for the implementation of Resolution 242 in all its parts; and for 'immediate and concurrent' negotiations between the parties concerned under international auspices, aimed at establishing a 'just and durable peace' in the area.

Resolution 339 (23rd October) reiterated demands for an end to the fighting and stated that the belligerents should return to positions held on 22nd October. The Secretary-General of the United Nations was instructed to send observers to the war area.

Resolution 340 (25th October) called for an increase in the number of United Nations military observers and for the setting up of a United Nations emergency force, composed of personnel drawn from members of the United Nations, with the exception of the permanent members of the Security Council.

Following initiatives by Dr. Henry Kissinger, the U.S. Secretary of State, Israel and Egypt agreed to a six-point plan to implement the ceasefire on the Sinai front, including the exchange of prisoners of war and arrangements for the transport of supplies to the isolated Egyptian Third Army. Syria and Israel later agreed a ceasefire and exchange of prisoners, both of which have been sporadically carried out.

In November 1973 the Foreign Ministers of the nine Community States agreed on a joint declaration on the Middle East conflict. The nine declared their support for United Nations Resolution 242 and put forward two specific principles for a peace agreement:

- a The need for Israel to end the territorial occupation which it has maintained since the 1967 war; and
- b Respect for the sovereignty, territorial integrity and independence of every state in the area, and their right to live in peace within secure and recognised boundaries.

The nine reaffirmed the need for international guarantees and saw a clear role for peace-keeping forces.

On 18th December 1973 a Peace Conference on the Middle East was convened in Geneva, the participants being the United States, the Soviet Union, Egypt, Jordan and Israel. This development was welcomed by the Liberal Party.

During the war the decision of the British Government to impose an arms embargo was bitterly criticised by Liberal M.P.s, particularly because it meant breaking a contract to supply spare parts to Israel for weapons which had already been delivered and paid for. At the same time it appeared that Britain was continuing to supply arms and technical expertise to Saudi Arabia.

### **The Economic Effects of the Middle East War**

Of all the nations not directly involved in the Arab-Israeli war of 1967, Britain suffered most from the after-effects. Relations between Britain and the Arab countries reached a new low and the ensuing sanctions proved another 'wind to blow our economy off course'. Our oil supplies were cut off for a lengthy period causing increased prices at home, and there was a threat that Arab investment in the sterling area—some £550 millions—would be withdrawn as recommended by the Baghdad Arab Economic Conference of August 1967.

The acrimony brought on British heads stemmed largely from two related factors: the British presence in Aden and the Persian Gulf was seen as the only possible outside threat to the Arab nations other than that of the American Navy in the Mediterranean. For many years Cairo radio had been able to stir up opposition to the 'imperialist' British presence and its potential threat. This threat seemed to become overt when Mr. Wilson delivered a stern warning that his government would assert the right of all British shipping to use the



closed Strait of Tiran as an international waterway. He added that Britain was 'prepared to join with others to secure general recognition of this right' (*Statements from Downing Street, 24th May 1967*). The Arabs saw this as part of a line-up with the United States and were convinced by the Anglo-American agreement to use military action if necessary (*24th May 1967*)—as well as the British Prime Minister's journey to Washington. Liberals recognise the Strait of Tiran to be an international waterway, but the Government's choice of words was unfortunate.

For once, the Government should have been prepared to liaise closer with General de Gaulle, and instead of merely welcoming, should have helped propose Big Four talks along with the French Government (*25th May 1967*). Instead, the Government remained nominally neutral during the Middle East crises but openly sided with the other nominal neutral—the United States. The only consolation seems to have been that the Labour Government at last began to see the embarrassment and non-credibility of maintaining British forces in the Persian Gulf.

Lord Gladwyn, from the Liberal benches, was the first to propose the policy of withdrawing east of Suez in a debate in the House of Lords on 8th April 1965. This policy has been reaffirmed on numerous occasions since that time. At the time of writing it still remains to be implemented by a Labour Government which has repeatedly voiced its intention of doing so. The Conservative Party still advocates a continued military presence East of Suez.

In 1973 control over a large proportion of the world's oil supplies was again a significant factor and the ruthless application of the so-called oil weapon precipitated what has become known as the oil crisis the effects of which are still being felt and therefore unquantifiable.

On 17th October 1973 representatives of the Arab oil producing countries met in Kuwait and announced that they would reduce output of oil from their States by a minimum of 5 per cent per month until their political objectives with regard to Israel has been achieved. This was followed by a second Kuwait summit at which a further decision to reduce output by 25 per cent was agreed. Supplies of oil to the United States and the Netherlands, two alleged friends of Israel, were also embargoed. This move led to a new tactic in the oil strategy whereby those states that were deemed friendly to the Arab cause were supplied with the same quantity of oil that they had been supplied with before the initial cut back whereas those deemed unfriendly suffered continuing and increasing sanctions. The new tactics were agreed at a Summit meeting of the Arab States in Algiers on 26th-28th November when it was agreed that the oil embargo should continue 'until the withdrawal from occupied Arab lands is realised and the national rights of the Palestine people are ensured.' The statement explained that states would be classified as 'friendly countries, neutral countries and countries supporting the enemy. A "neutral" state, once reclassified as "friendly"; would be given the quantities of oil "which it used to import in 1972, provided it pledges not to re-export it either as crude or refined oil".'

On 25th December 1973 the Arab oil producing States decided to increase their production by 10 per cent in order that 'friendly' countries should receive their full quota. Of the nine Common Market countries Britain, France and Belgium are currently classified as 'friendly' countries, the Netherlands is regarded as 'hostile' and the rest are considered 'neutral'.

Perhaps the most economic aspect of the international oil crisis was the decision on 16th December 1973 of the Gulf member states of the Organisation of Petroleum Exporting Countries (O.P.E.C.) to add over \$2 a barrel to the price of oil—a 70 per cent increase. The states concerned abandoned the pretence of negotiating the price changes with the oil companies in favour of fixing the price unilaterally.

### **The Cost of Remaining East of Suez**

The current cost of maintaining existing military commitments East of Suez in the Persian Gulf and the Far East is put at £35 million in foreign exchange. This is the equivalent of over a quarter of the revenue which the Government collects from the sale of motor cars.

*(Statement on the Defence Estimates 1973, Cmnd. 5231)*

## **UNITED NATIONS**

Even with its many defects, the United Nations Organisation remains the only single body representing the majority of world opinion, including China.

### **Peace-keeping**

Twenty-five years after its inception, U.N.O. still has no means of intervening when there is an armed clash. The delicate matters of principle involving the timing or the desirability of direct intervention by the United Nations have yet to be solved. Liberals believe that these difficulties must not be looked upon as insuperable, and that eventually a Peace-Keeping Force must be formed.

Initially, it could be in the nature of a *Civil* Emergency Force, consisting of paid professionals enlisted by the United Nations, and supported by an auxiliary naval force. It would be deployed in closely-defined civil emergencies such as earthquakes and floods and used only on the initiative of the Secretary-General. With this modest beginning it should be possible to build up the confidence of the member nations in the impartiality of their own organisation and so lead to the establishment of a military force strong enough to intervene in the localised wars the world has been experiencing.

### **Finance**

There is no doubt that the continuing financial crisis within the Organisation itself has sorely tried the founder members. The cost and deficit of the budget rises every year and some member states are persistently in arrears even though they may be heavily dependent upon Foreign Assistance. At the annual conference of the United Nations Associations in April 1966, Jeremy Thorpe suggested that the finances of the United Nations might be improved and the developing nations better served by:

- a donor countries reducing or stopping their aid to countries which failed to pay their contributions to the U.N.O.;
- b the encouragement of private investments in under-developed countries under the auspices of U.N.O.;
- c unrealistic demands for impossible policies being resisted in the Assembly.

As Mr. Thorpe commented:

'if the great powers are to work through the United Nations, its decisions must reflect the realities of responsibility. Those who pay the price are at least entitled to be consulted on the score sheets.'

## OVERSEAS AID

### Britain's role

At a joint assembly in Edinburgh in 1968 Liberals showed their concern at the ever-widening gulf between the haves and the have-nots. A resolution setting out the ways in which this country should increase its efforts called for:

- a a target for aid (excluding private capital) of at least one per cent of our net national income by 1975. Measuring aid net of repayments;
- b aid in the form of loans to be interest free, with a ten-year period of grace for capital repayments;
- c a move away from the system of tying bilateral aid to the purchase of British goods, and an increasing proportion of aid to be channelled through multilateral agencies;
- d the use of fiscal and foreign exchange policies to stimulate, rather than discourage, private overseas investment in developing countries;
- e the reorganisation of international markets for primary goods;
- f an easing of tariff and quota restrictions on imports from developing countries, and a reform of the international monetary system as a means of financing development in the Third World.

The following table indicates Britain's record on overseas aid since 1964 as a percentage of G.N.P.

	Official flows	Private flows	Total
64	0.53	0.45	0.98
65	0.48	0.54	0.03
66	0.48	0.39	0.87
67	0.45	0.29	0.74
68	0.42	0.40	0.82
69	0.39	0.61	1.0
70	0.37	0.67	1.04
71	0.42	0.73	1.15
72	0.40	0.55	0.95

We actually devoted a smaller proportion of our income to aid in 1972 than we did in 1964.

Official flows of Development Assistance and multinational contribution for the last 5 years have been:

1968	£203m
1969	£210.8m
1970	£268.9m
1971	£268.9m
1972	£305.4m

*Source. O.E.C.D.*

### Loans

Liberals are concerned that aid in the form of loans should be interest-free, with a ten-year period of grace on capital repayments. For many countries this is a serious burden. Nearly half the aid received by India is almost immediately eaten up by repayments; in 1966 this amounted to £20.5 million out of a total aid of £43.7 million. Unless there is a change of policy by 1980

repayments will exceed aid. The Pearson Report urged that countries with high debts required a consolidation of the short and medium term debt into long-term obligations, to enable them to overcome transitional problems.

### **Multilateral Aid**

We would like to avoid the attachment of strings if more aid was channelled through multilateral agencies. The aid would also be more likely to reach those countries which really need it. It is essential that the United Nations' organisation for channelling aid should be revitalised but, at the same time, we are convinced that the United Nations has demonstrated conclusively that it is the ideal instrument for doing the job of assisting developing nations through technical co-operation and pre-investment projects.

### **Conclusion**

Liberal foreign policy may be summed up as the determination to secure peace by building a more just world. Britain's role is limited, but in Western Europe, where the most progress towards extending the principles and practices of Liberalism from domestic affairs to international relations, exists, Britain is still of the first importance. But the Tories dislike of supranationalism, and Labour's isolationism are daily reducing our opportunities to influence events which increasingly control us.

Despite this, the Liberal vision of a free, democratic, prosperous and secure Europe remains.

### **DEFENCE**

#### **Liberal Policy Aims**

- 1 To base the role, shape and size of Britain's forces on a realistic assessment of a European strategy.
- 2 Work for an eventual independent European foreign and non-nuclear defence policy.
- 3 Examine the feasibility of creating regionally based reserve forces, to assist in civil emergencies.
- 4 Establish fully trained emergency forces, at the disposal of the United Nations.
- 5 The determination to prevent the further proliferation of nuclear weapons.

#### **Defence—the Servant of Foreign Policy**

After the Second World War there was a marked reluctance on the part of Tory and Labour political leaders to recognise that British defence policy must be brought into line with the limitations of foreign policy influence and implied aims. This led the Tory Party into the trap of seeking 'mini-Super-Power' status behind an independent nuclear deterrent. The Liberal Party laid that ghost at the 1958 Torquay Assembly and called on the Government to 'cease forthwith Britain's independent manufacture of the H bomb'. The Labour Party preferred to follow illusions of an independent world policing role, in which pockets of British troops were scattered all over the globe in the pretence that they would be able to extinguish bush-fires and maintain law and order in developing states.

After the initial success of this policy in 1964 in East Africa, credibility was lost through the inability of British forces to do anything about the illegal Smith regime in Rhodesia, to prevent the blood-bath in Nigeria and maintain

stability in Aden and South Arabia. The Liberal Party was the first to challenge the necessity of our military presence in the Far East and Persian Gulf, notably in the 1966 Brighton Assembly and in Lord Gladwyn's scathing attack on the 'East of Suez' role in the House of Lords Defence debate (*April 1965*).

During the period of Labour office from 1964 to 1968 the British tax-payer had to pay out over £1,000 millions in foreign exchange defence expenditure alone for a policy which was both pretentious and strategically suspect. The 1966 Defence Review, heralded as 'far-reaching' and setting the tone of British defence policy until the mid-1970s, defended the overseas policing role, but within two years it had been completely reversed. While welcoming the decision of January 1968 to withdraw the bulk of British forces from the Persian Gulf and Far East by 1971, Liberals would have preferred a plan for the gradual withdrawal of troops, with adequate consultation with garrison states as to short-term aid to offset economic difficulties. Instead, the then Labour government was forced to accept a hasty retreat dictated by economic necessity.

Soon after taking office the Conservative Government began the process of reversing the Labour Government's decision. On 1st November 1971 the Five Power Agreement referred to earlier came into effect and to all intents and purposes Britain remained in the Far East. Subsequently, new agreements were signed with Bahrain, Qatar and the United Arab Emirates (U.A.E.) which were established on 2nd December 1971. All British resident combat forces were withdrawn but ships and aircraft visit the Gulf regularly. British personnel are assisting in the defence of the Gulf in return for the continued right to overfly and stage military aircraft through Union territory. In its three years of office the Conservative Government cut defence expenditure by £250 million (at 1973 prices). The new Labour Government announced a far reaching defence review on taking office having already committed itself to an immediate reduction of £50 million in defence spending and an overall reduction of £600 million in the future (1973 prices). The overall Labour Defence plan was included in 'Labour's Programme for Britain' 1973 which promised:

'A Labour Government in the 1970's should seek to reduce our defence spending to bring it in line with the existing burden carried by our European allies . . . It would save Britain approximately £600 million a year if Britain reduced her share of the gross national product spent on arms to the average for the European N.A.T.O. countries.'

So far there has been no clear indication of where these savings are to be made. Furthermore the criteria for determining the exact amount of saving is illogical and simplistic. In basing its calculations on the percentage of G.N.P. spent on average by its European neighbours the Labour Party will inevitably get a distorted picture since defence expenditures of smaller neighbours of the Community such as Denmark (2.2 per cent of G.N.P., population 5 million), Norway (3.2 per cent of G.N.P., population 4 million) and Luxembourg (0.8 per cent, population 345,000) inevitably lower the average figure which, at 3.6 per cent in 1972 was considerably lower than the 4.6 per cent that Britain spent. Furthermore of her large industrialised allies France spent as much as Britain, in cash terms, and Germany considerably more, whereas on the other side of the iron curtain, the Soviet Union spends about 8 per cent of G.N.P. on defence.

## **Principal Features of a Liberal Defence Policy**

The following objectives were set out by the Liberal Defence Policy following the resolution approved at the 1972 Assembly:

- 1 In the immediate future to continue to maintain our national security by playing our full part as members of the North Atlantic Alliance and by continuing to assign the preponderance of our forces to the defence of Europe.
- 2 To work within the North Atlantic Alliance towards the creation of a European Defence Community as part of the process of the development of a democratic Western European entity. As a first step a common defence procurement policy should be evolved.
- 3 To re-assess and re-examine the overall question of the role played by British nuclear forces in the contest of European defence. (It is recognized that, in the middle term, an independent European defence posture is only possible in the context of an American nuclear guarantee).
- 4 To achieve economies in defence spending by working towards the harmonisation of European conventional defensive weapons, and doctrines, with the object of achieving a more cost-effective and efficient European defence.
- 5 To maintain a highly mobile conventional reserve for peace-keeping purposes.
- 6 To maintain our support of United Nations peace-keeping forces and to encourage the development of a United Nations disaster force.
- 7 Our objective remains the pursuit of controlled world disarmament, both nuclear and conventional.

## **The Immediate Role of British Defence**

British forces should be called on to supply an increased strength to the European conventional defence effort, though the number of personnel actually stationed on the Continent need not exceed for the moment the existing treaty commitment of 55,000 men with complementary air support. At a time of serious imbalance in N.A.T.O. between nuclear and conventional strength, the withdrawal of a further brigade and R.A.F. squadrons from Germany under the 1968 White Paper (February) was unwise. Now that we are bringing back our major forces from overseas, the surplus of capital equipment—should be used to strengthen N.A.T.O.'s south-eastern flank in the Mediterranean and to reinforce the Alliance's sorely depleted conventional combat air forces. Base facilities should be retained in Cyprus, Malta and Gibraltar.

Outside the European and Mediterranean theatres British commitments should remain minimal, small garrisons, if necessary, being left in the few surviving dependencies. The force in Hong Kong should be reduced to 5,000 men, which would be quite sufficient to fulfil their sole purpose of maintaining internal law and order. Britain should press for a reorganisation of S.E.A.T.O. as an American/Australian led collective security system, which might also include Malaysia, Singapore and Indonesia. Britain would remain, if at all, as a sleeping partner alongside France.

For some years now the Liberal Party has urged a concentration of our military resources in the regional defence of Europe.

At the Blackpool Assembly 1967 the Liberal Party affirmed 'that the continued existence of the Atlantic Alliance' was justified to maintain stability

until such time as a security arrangement between East and West has resulted in the withdrawal from Europe by the forces of both the United States and the Soviet Union'. In the same resolution it was urged 'that Britain should take the lead in pressing within the Atlantic Alliance for approaches to be made to the Warsaw Pact countries with a view to setting up a conciliation body charged with the task of seeking means for the further reduction of tension and the end of the cold war through a European security agreement.'

Russell Johnston summed up the basic Liberal position regarding the Atlantic Alliance in Parliament on 2nd July 1974:

'The basis of our defence policy must be detente. I think that is agreed in all parts of the House . . . Although it is true that the Soviet threat seems extremely remote and although it has probably diminished to the point where the likelihood of any Soviet military attack upon the West is most unlikely, nevertheless the importance of N.A.T.O. as a means of safeguarding our freedom and, a realistic basis for disengagement, disarmament and detente cannot be exaggerated.'

## **British Forces Necessary**

### *a Nuclear*

There is not the space in this Handbook to trace the path of Britain's attempts to maintain a credible nuclear force, and thereby stay in the shadows of the two Super powers, Russia and the U.S.A. It has been recorded in full detail elsewhere in Liberal publications, notably *A Defence for Britain* by Anthony Paice (Unservile State Group—L.P.D.). It is sufficient to say that the Liberal Party opposed the Nassau Agreement 1962 and the consequent construction of four Polaris submarines. Now that successive Tory and Labour Governments have wasted £370 millions on these vessels their immediate future should be as part of an integrated N.A.T.O. fleet, but this is a poor compromise for a project which should never have been started in the first place.

Their strategic contribution is negligible, since at any one time our vessels could only release 64 missiles, compared with well over 600 American missiles. It is tactically pitiful, since only one submarine will ever remain on station at any one time (one cruising to station; one revictualling; and one refitting).

Yet incredibly the Conservative Party has continued with a blind faith in the future of Polaris. Lord Carrington, speaking in the House of Lords portrayed this view:

'I am absolutely convinced that the Polaris force today is a deterrent which is effective and credible. It is . . . (our) intention that it should remain so. Obviously, we have to look ahead and consider possible developments in defensive systems which might make it necessary to improve our weapons. This is something we will keep under careful review.'

*(Hansard, House of Lords, 1st March 1973, col. 850.)*

'Labour's Programme for Britain' 1973 also appears to be decisive on this issue:

'The present government seems to be thinking in terms of maintaining Britain's independent nuclear forces and moving into a new generation of strategic nuclear weapons. Labour had already renounced this course.'

But the commitment should be seen in the context of previous behaviour over such commitments which were totally disregarded by Labour in office, particularly by Mr. Dennis Healey who as Minister of Defence in the Labour

Government said when the Government learned that the Soviet Union might be deploying anti-ballistic missiles:

'We took such steps as we regarded as necessary at that time to improve the penetration capacity of polaris weapons . . . whether further steps are required is a matter under constant review.'

(*Hansard, 4th March 1970, col 850.*)

Russell Johnston however has been unequivocal in his denouncement of Polaris:

The Liberal policy on nuclear weapons is clear. We see no future for British strategic nuclear weapons. As a country we misguidedly spent a great deal of money on Polaris. I am not proposing that we tow it out into the Atlantic and sink it. The Secretary of State pointed out that the cost of operating Polaris is very small. But we say that when Polaris becomes obsolescent, it should be phased out, and no attempt should be made to spend more money seeking to improve it and prolong its life.'

'Certainly we should not contemplate turning to the next generation of missiles which will be necessary if we are to sustain any kind of race with the Soviet Union and the United States.'

(*Hansard, 2nd July, 1974*)

Any move towards obtaining the next generation of nuclear weapons would be condemned outright by Liberals, since this would only raise further doubts as to their strategic value for the Super powers are now concentrating on anti-missile systems. Furthermore, the British taxpayer would be faced with another enormous bill, and probably another on top of that.

Somewhere along the line someone has to say 'enough is enough'. Polaris ought to be the last 'folie de grandeur'.

#### *b Ground Forces*

Under Liberal plans the Army strength ceiling could be cut back to about 150,000 with corresponding personnel cuts in the other two services. Emphasis should be placed on maintaining a small highly trained Army, whose technician/soldiers could be more easily fitted back into civilian life. On the equipment side, armour strength, particularly in B.A.O.R. should not be dependent solely on the production of heavy, sophisticated and costly prestige symbols such as the Chieftain tank, but rather there should be larger numbers of lighter vehicles which can be deployed over a greater area and would be more cost-effective in the face of the increased fire-power and effect of modern anti-tank weapons.

#### *c Naval Forces*

The accent in future naval construction should be on light warships for shipping protection, reconnaissance and patrol purposes. In this field insignificant attention has been directed towards the development of hovercraft and hydrofoils for light naval duties. A success in the application of these techniques would also ensure a large export market for such craft.

Liberals approved of the decision not to continue with a sophisticated aircraft carrier force, since in a European defence role their strategic role would be limited and their cost prohibitive. Large naval units are particularly vulnerable to attacks by surface-to-surface missiles launched from small fast patrol vessels (for example, the sinking of the Israeli destroyer *Eilat* at the hands of Egyptian gun-boats) and fast hunter-killer submarines.



#### **d Air Forces**

The Liberal Party opposed the intended purchase of sophisticated F111K nuclear bombers from the United States and have questioned the need for such equipment in the modern Air Force in an era of nuclear Polaris submarines and tight anti-aircraft defence systems. The main concentration should be on the development of all-purpose fighter aircraft to follow the Lightning, Harrier and Phantom.

#### **Europe and Nuclear Defence**

Liberals will strive to ensure that any further defence arrangements within the Community were made on a non-nuclear basis. This was advocated by Lord Gladwyn in a Resolution on Foreign Affairs at the Blackpool Assembly in September 1967, and reiterated in the Resolution on Europe debated at Brighton in 1969.

Mr. James Davidson M.P., speaking in the Defence debate in March 1969 said that the Liberal Party was against the proposition of a third nuclear force based on a European Alliance.

'We have proposed a non-nuclear European defence community, working eventually towards a situation in which we would have a joint guarantee of European security by the two Super-powers, the United States and the Soviet Union.'  
*(Hansard, 4th March 1969.)*

Any decision as to whether or not the E.E.C. should be nuclear, must be left to its members to decide, but it can be hoped that, through discussions in the Community, nuclear weapons will be finally renounced. At the same time, any nuclear agreement would have to take due care that it did not prevent the peaceful use of nuclear energy. For this reason, and because it would include the scrapping of the French 'force de frappe' and also any West German potential, giving further reassurance to Eastern Europe, Liberals believe that such an international agreement would be far more effective a gesture for world disarmament than a unilateral British declaration to abandon nuclear weapons. In the meantime, we reaffirm that any existing British nuclear weapons should be assigned unequivocally to Atlantic Alliance control, and we are opposed to the continued nuclear testing, which was begun under the Conservatives particularly since in the very week the Labour Government had protested to France and India about their nuclear activities Britain went ahead with a similar test. Russell Johnston was sharply critical of the Labour Party's hypocrisy on this issue:

'If the Secretary of State argues that the test was undertaken to keep the options open, to my mind it implies that the Government regard the maintenance of our independent nuclear deterrent as a practical alternative option which could be pursued. It is that which I question. I do not think that it is. I do not believe that our nuclear contribution to N.A.T.O. is relevant. What is relevant in N.A.T.O. is our conventional capacity.'

*(Hansard, 2nd July, 1974)*

#### **Harmonisation of European Conventional Defence**

A non-nuclear European defence policy can only be viable in the immediate future in the context of an American nuclear guarantee. Therefore we believe that the member states of the European Community, must shortly, if they are to ensure their individual and collective independence, create, within the

framework of the North Atlantic Alliance, and in close association with the United States and Canada, a firm structural base for harmonising not only their foreign, but also their security policies.

Only by so doing are they likely, in an era of major East-West negotiation, to facilitate a genuine detente necessarily based, pending general, complete and controlled disarmament, on a strategic balance between the armed forces of the North Atlantic Alliance and those of the Warsaw Pact Organisation.

The defence effort of Western European countries must be rationalized in order to effect great economies in the individual expenditure on defence of the states concerned. At the same time, the most effective forms of European defence must be obtained, bearing in mind the necessary limitations of national defence budgets. Western Europe must make both a fair and an effective contribution to the common defence effort of the Western world.

Those Governments among the nine member states of the European Communities which may wish to take part in such a programme should:

- i establish a Joint Chiefs of Staff Committee charged with the elaboration of plans for the development and deployment of modern defensive weapons systems;
- ii set up a European Procurement Agency, responsible for the joint development and production and/or purchase of those standardized conventional armaments and infrastructure necessary for the defence of Western Europe, with a central armaments research and development budget and the power to award procurement contracts;
- iii initiate immediately meetings of high officials of national Ministries of Defence together with or in parallel with the meetings of the Political Directors of the Ministries of Foreign Affairs in order to prepare agreed political directives to the two bodies referred to in (i) and (ii) above, and ultimately to arrange for the Ministers of Defence to meet together with or in parallel with the Ministers of Foreign Affairs to adopt common positions on all security problems affecting them;
- iv provide for suitable forms of consultation with the European Parliament in the organisation of security and appropriate liaison between Community Member States participating in the new defence arrangements and the Atlantic and European organisation concerned.

*(Hansard, 4th March 1969.)*

### **Possible United Nation Contributions**

We do not consider that the realistic future for Britain is to maintain bases throughout the world although we believe that we should maintain a mobile strategic reserve to enable us both to offer assistance to our friends as necessary and to play our part in what we hope will be an increasing function of the United Nations namely its peace keeping role.

Lofty ideas have been put forward for the possible use of British troops in other parts of the world if the United Nations were to require such support. From the outset, any British force overseas must in future look for a definite United Nations' mandate under which to serve. One of the legacies, however, of the withdrawal of our forces from overseas could well be an increased amount of localised instability, which may have no direct link with the cold war struggle of the Super-Powers. In a few years' time, when the memories of British imperialism begin to fade, our troops will be good material for U.N. peace-keeping operations in such areas. For this reason alone, strategic

transportation, desert and jungle training, though possibly much reduced, must never be ignored.

Perhaps the most long-sighted act of the last Wilson Government was its offer in the 1966 White Paper of logistics support for six United National battalions. British troops also form a sizeable part of the U.N. force in Cyprus.

Ground forces may not, however, be the means for a break-through in achieving a U.N. Police Force, which itself would have to be recruited on an individual basis if it was to be truly international and effective; but with the withdrawal of British naval units from the Far East and the Persian Gulf, there could be a degeneration in the state of law and order on the high seas. Such a development would be an assault on the trading interests of most nations and could spark off a demand in the General Assembly for an international naval force. Units from existing national fleets could be recruited relatively easily and language problems might be less formidable than those to be encountered in land operations. Experience could also be drawn from the multi-lateral fleet exercises of the three Western regional alliances.

The initiation of a civil emergency force, with Naval backing, opens another avenue towards an eventual peace-keeping force.

## APPENDIX

**Table 1. Relative Economic Potential (G.N.P.) and Defence Expenditures of N.A.T.O. Member Countries in 1971**

Country	Total N.A.T.O.—100		Population
	G.N.P. (f.c.)	Defence Expenditures as % total N.A.T.O. expend.	
United States	62.9	76.4	42.7
F.R. Germany	11.9	7.2	12.6
United Kingdom	7.5	6.9	11.5
Italy	5.9	3.0	11.1
Canada	4.7	2.0	4.4
Netherlands	2.1	1.3	2.7
Belgium	1.6	0.8	2.0
Denmark	0.9	0.4	1.0
Norway	0.7	0.4	0.8
Turkey	0.7	0.6	7.5
Greece	0.6	0.5	1.8
Portugal	0.4	0.5	1.8
Luxembourg	0.1	0.01	0.1
N.A.T.O. Europe*	32.4	21.6	52.9
North America	67.6	78.4	47.1
Total N.A.T.O.*	100.0	100.0	100.0
*Including France, these percentages would be as follows:			
France	8.4	6.0	9.5
N.A.T.O. Europe	38.1	26.3	57.4
North America	61.9	73.7	42.6
Total N.A.T.O.	100.0	100.0	100.0

*Source: N.A.T.O. Official Statistics.*

**Table 2. Gross National Product and Defence Expenditures**

Country	Per capita (U.S. \$)			Defence expenditures as % of G.N.P. f.c.			
	G.N.P.	Defence Expenditures	Balance for civil use	1969	1970	1971	1972
Belgium	2,590	82	2,508	3.3	3.3	3.2	3.2
Denmark	2,880	86	2,794	2.9	2.8	2.9	2.8
F.R. Germany	2,980	118	2,862	4.1	3.7	3.8	3.9
Greece	1,050	59	991	5.8	5.8	5.6	5.3
Italy	1,680	55	1,625	3.0	3.0	3.3	3.5
Luxembourg	2,700	26	2,674	1.0	0.9	0.9	1.0
Netherlands	2,430	94	2,336	3.9	3.8	3.8	3.8
Norway	2,820	108	2,712	4.0	4.0	3.9	3.8
Portugal	690	58	632	7.6	7.9	8.3	8.4
Turkey	290	16	274	5.2	5.2	5.4	5.0
United Kingdom	2,080	121	1,959	5.8	5.7	5.8	6.1
N.A.T.O. Europe*	—	—	—	4.3	4.1	4.2	4.4
Canada	3,380	91	3,289	2.8	2.8	2.7	2.5
United States	4,680	362	4,318	9.5	8.7	7.8	7.3
Total N.A.T.O.*	—	—	—	7.6	6.9	6.4	6.1

\* Including France, the percentages for 1971 would be: 4.4% for France, 4.3% for N.A.T.O. Europe, 6.2% for total N.A.T.O.

Source: N.A.T.O. Official Statistics.

**Table 3. Estimates of Operational and Defence Expenditure as Percentage of G.N.P. of Warsaw Pact Countries 1972**

Country	Army divisions	Total regular forces	Combat aircraft	% expenditure
Bulgaria	8	152,000	252	2.9
Czechoslovakia	10	190,000	504	4.2
East Germany	6	132,000	320	5.5
Hungary	5	103,000	108	2.9
Poland	15	280,000	696	3.7
Rumania	9*	170,000	252	2.6
Totals excluding:				
Soviet Union	53	1,027,000	2,132	3.6 (average)
Soviet Union	na	na	na	7.8
Totals including:				
Soviet Union	na	na	na	4.1

\*1970 figure.

Note: On average the countries of N.A.T.O. spend *more* on defence expenditure, expressed as a percentage of G.N.P., than the Warsaw Pact countries.

**Table 4. Percentage of G.N.P. spent on Defence plus gross totals at current prices for last ten years**

	Per cent G.N.P.	Amount £ million
1963/64	6.5	1,811
1964/65	6.5	1,941
1965/66	6.5	2,058
1966/67	6.4	2,140
1967/68	6.3	2,236
1968/69	6.0	2,245
1969/70	5.5	2,214
1970/71	5.7	2,500
1971/72	5.7	2,803
1972/73	5.5	2,854
1973/74	5.75	3,365

*Source: Defence Data official statistics.*

## 18 THE LIBERAL PARTY

- 1 House of Commons
- 2 House of Lords
- 3 European Parliament

### 1 HOUSE OF COMMONS

#### Liberal Members of Parliament

MEMBER	CONSTITUENCY	WHEN ELECTED	1974 MAJORITY
RT. HON. JEREMY THORPE (Leader)	North Devon	1959	11,052
RT. HON. JO GRIMOND	Orkney & Shetland	1950	7,052
EMLYN HOOSON, Q.C.	Montgomery	1962	4,651
RUSSELL JOHNSTON	Inverness	1964	5,223
JOHN PARDOE	Cornwall North	1966	8,729
DAVID STEEL (Chief Whip)	Roxburgh, Selkirk & Peebles	1965	9,017
CYRIL SMITH, M.B.E.	Rochdale	1972	8,899
CLEMENT FREUD	Isle of Ely	1973	8,347
ALAN BEITH	Berwick-upon-Tweed	1973	443
STEPHEN ROSS	Isle of Wight	1974	7,776
PAUL TYLER	Bodmin	1974	9
RICHARD WAINWRIGHT	Colne Valley	1974	719
MICHAEL WINSTANLEY	Hazel Grove	1974	1,998
GERAINT HOWELLS	Cardigan	1974	2,476
CHRISTOPHER MAYHEW	Woolwich East	Joined the Liberal Party 10.7.74	11,877
	Will contest Bath		

#### Parliamentary Record

During the Conservative Administration (from 29th June 1970 to 8th February 1974) the Liberal M.P.s made 326 speeches and asked 2,174 questions.

During the present Parliament (from March 1974 to June 19th), Liberal M.P.s have made 65 speeches and asked 543 questions.

#### Liberal Speeches and Questions 1970/74

SESSIONS	SPEECHES*	QUESTIONS 1970/4**
1970-71	98	546
1971-2	95	587
1972-73	92	702
1973-74 February	41	339
March 1974-June 19th	65	543

\*Major Speeches only; does not include interventions or speeches made in Standing Committees.

\*\*Includes supplementary questions.

**Individual Liberal Record 1970-1974**

	SPEECHES	QUESTIONS
GRIMOND	36	245
HOOSON	41	213
JOHNSTON	34	161
PARDOE	83	402
STEEL	41	628
THORPE	58	181
SMITH	9	63
TOPE	13	216
AUSTICK	3	12
FREUD	5	18
BEITH	3	25
Totals	326	2,174

**Individual Liberal Record March 1974-June 19th 1974**

	SPEECHES	QUESTIONS
BEITH	6	43
FREUD	4	60
GRIMOND	5	29
HOOSON	4	23
HOWELLS	1	19
JOHNSTON	3	17
PARDOE	9	46
ROSS	5	30
SMITH	2	45
STEEL	3	118
THORPE	4	9
TYLER	8	53
WAINWRIGHT	6	25
WINSTANLEY	5	26
Totals	65	543

**VOTING RECORD 1970-1974 (FEBRUARY)**

During the Conservative Parliament, Liberals went into the opposition lobby more than twice as many times as into the Government lobby.

Liberals voted against the Government in 526 divisions and with the Government in 219 divisions. (29th June 1970—8th Feb. 1974)

The details of individual sessions are:

**VOTING RECORDS TAB. 1**

Sessions	With Govn.	Against Govn.
1970-71	115	163
1971-72	68	166
1972-73	27	163
1973-74 February	9	34
Total	219	526

Details of voting on the most important pieces of Conservative legislation since 1970.

#### **1 The Industrial Relations Act 1971**

The Liberal Party voted for the Government's Industrial Relations Act on the second reading (15.12.70) and against the Act on its third reading (24.3.71).

(In Divisions on the committee and report stages Liberals voted with the Government in 72 divisions, against in 35 divisions and abstained 78 times).

Liberal support for the second reading sprang from an acceptance of the right of Parliament to intervene in the field of industrial relations and the need for some legal framework to surround British industrial relations. Underlying the Liberal position was the strict understanding that further support would be withheld unless reasonable amendments were made in Committee (including Works Councils and elected directors). When the Government refused to accept any amendments and left many clauses undebated Liberals were fully justified in withdrawing their support.

#### **2 The Housing Finance Act 1972.**

Liberals supported the Government White Paper 'Fair Deal for Housing' (19.7.71) which was the basis of the 1972 Housing Finance Act. The Act was opposed by Liberals at the second reading (15.11.71) and at the third reading (8.5.72). Whilst Liberals supported the underlying principles of legislation i.e. the 'Fair Rents' principle, they strongly objected to the implementation of those principles and the mechanics of administration as outlined in the Act.

#### **3 The European Communities Act 1972.**

The Liberal Party supported the European Communities Act at all the main stages. Vote of principle 28.10.71: second reading 2.2.72: third reading 13.7.72. This action was an expression of the party's longstanding support for the principle of entry into the European Parliament, which the Bill implemented.

#### **4 Counter Inflation Act**

Liberals voted for both Phase I (Freeze) (3.11.72) and Phase II second reading (29.1.73), third reading (28.2.73) of the Government's Counter Inflation Act. Liberals have supported the principle of a statutory prices and incomes policy since 1967. However Liberals voted against Phase III (7.11.73). They believed that Phase III was too inflationary, and at the same time too inflexible to allow for special cases, such as the miners.

Other major pieces of legislation Liberal M.P.s voted against include the following:—

Social Security Acts 1971 and 1973.

Immigration Act 1971.

Water Act 1973.

N.H.S. Reorganisation Act 1973.

Local Government Bill (2nd Reading 12.11.73).

Maplin Development Bill 1973 and Channel Tunnel Bill (2nd Reading 5.12.73).

During the Conservative Administration Liberal M.P.s tabled a total of 37 Motions on a wide variety of subjects including The School Building Programme, Solving the Miners' Dispute, Third London Airport, Rhodesia



and Retirement Pensions. Parliamentary Party members also signed many all-party motions and tabled amendments to government bills including the following:—

Zetland County Council Bill 1973.

Income and Corporation Taxes Bill 1970.

Industrial Relations Bill 1971.

Unsolicited Goods and Services Bill 1971.

Immigration Bill 1971.

Finance Bills 1971, 1972.

Northern Ireland Temp. Provisions Bill 1972.

Local Govn. Bill 1972.

European Communities Bill 1972.

N.H.S. Reorganisation Bill 1972.

Industry Bill 1972.

Counter Inflation Bills 1972 and 1973.

Housing Amendment Bill 1972.

Water Bill 1973.

Social Security Bill 1973.

Statutory Corporations (Financial Provisions) Bill 1973.

Channel Tunnel Bill 1973.

## **LIBERAL BILLS**

Under the Ten Minute Rule three Industrial Relations bills were introduced during the 1972/73 Session. These bills encompass the legislation sought by Liberals in their amendments to the Industrial Relations Act 1971.

### **1 Works Council Bill**

David Steel M.P. introduced the bill which had its 1st reading 9.5.73. 2nd Reading Prorogation.

The Bill provides for the establishment of Works Councils in every works and company where more than 20 are employed, and gives works councils co-decision making powers in areas particularly affecting employees and the right to be properly informed of company plans and progress.

### **2 Employees Charter**

The Rt. Hon. Jeremy Thorpe introduced this Bill which had its first reading 21.6.73.

2nd Reading dropped.

This bill sought to ensure reasonable conditions and rights for all workers and to promote greater participation in the decisions which affect their employment. The elimination of unnecessary distinctions between white and blue collar workers and discrimination against the over 45s were amongst the specific aims of the bill.

### **3 Minimum Income Bill**

John Pardoe M.P. introduced this bill which had its 1st reading 27.6.73.

2nd reading dropped.

This bill provided for payment of a minimum income to all employees aged over 18 of approximately  $\frac{1}{3}$ rd average industrial earnings. The introduction of a minimum income would be phased over a four year period.

Both Graham Tope M.P. and The Rt. Hon. Jo Grimmond M.P. were

successful in the Ballot for Private Members' Bills. These Bills received their 1st reading, but were lost at the dissolution.

#### **4 London Parish Councils Bill**

Introduced by Graham Tope M.P. 1st reading 28.11.73 (Previously introduced by Lord Avebury). The bill changes the administration of local government in Greater London by the establishment of London Parish Councils.

#### **5 Scottish and Welsh Parliaments Bill**

introduced by the Rt. Hon. Jo Grimond M.P. 1st reading 28.11.73. The bill makes new provisions for the government of the United Kingdom by the establishment of Parliaments for Scotland and Wales.

#### **6 Amendment of the School Leaving Age**

The purpose of the bill, which received its first reading on 2nd July 1974, was to provide temporary relief for schools by permitting young people to leave at the age of 15. Provision for further education in the form of day release, recognised training or apprenticeships was required; in this way school leavers would remain under the 'umbrella' of the Department of Education. The Bill was refused by 179 votes to 93.

Under the Ten Minute Rule a bill was introduced by Clement Freud M.P.

### **VOTING RECORD AND PARLIAMENTARY ACTIVITY MARCH-JUNE 1974**

During this Parliament (from March to June 19th 1974\*) Liberals have voted with the Government in 6 divisions and against the Government in 32 divisions. The voting average was 58.8%.

Details of voting and activity on the most important pieces of legislation.

#### **1 The Rent Bill**

The Parliamentary Liberal Party supported the Bill in principle, but were critical of the way in which both the Government brought it forward at the tail end of the session, and the Conservatives indulged in a light-hearted fillibuster. Both Lord Avebury in the House of Lords and Paul Tyler M.P. in the Commons, were concerned at the very loose definition of 'resident landlords', but the Minister refused to remedy the situation on the grounds that he wanted to get the Bill on the Statute Book as quickly as possible, and this might cause delay. Mr. Tyler expressed anxiety during the Second Reading about the situation of landlords of holiday accommodation, and their off-season tenants, both of whom have suffered from the law's ambiguity. During the Committee Stage Mr. Tyler consistently supported the Government in their overall objective of protecting furnished tenants from eviction and rent exploitation, while urging that Rent Officers and Tribunals should pay proper regard to rising costs in assessing appropriate rents. The Conservatives on the Committee attempted to delay the progress of the Bill and on one occasion spent 4½ hours in a prolonged fillibuster on one amendment. The Liberal M.P.s voted with the Government during the Report Stage. The Party has taken the view since 1965 that security of tenure should be extended to

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\*Detailed statistics are available only to June 19th due to the Hansard dispute.

furnished tenants, and accepts that exemptions should only be made for resident landlords, those retiring, those offering holiday accommodation, etc. There is no conclusive evidence that ipso facto controls cause reductions in rented accommodation.

## **2 The Housing Bill**

The Parliamentary Liberal Party supported the Bill, the Housing spokesman, Paul Tyler M.P. welcomed it during the second reading debate on the 6th May. He especially welcomed the encouragement given to the Housing Associations and Societies, and to the Housing Corporations. Acknowledging the advantages of the proposed Housing Action Areas, and other ideas to assist in the rehabilitation of housing stock, he was nevertheless disappointed that there was not a more generous extension of 75% assistance for Improvement Grants in the Development Areas. At the Report Stage on 25th June Mr. Tyler suggested a wider role for the Housing Corporation as the financial and technical adviser to Local Housing Authorities lending money to house purchasers—he felt they could together offer new types of mortgages especially suited to the needs of the first time home-buyers (such as Low Start, Equity-linked and Index-Linked schemes) if the Building Societies failed to introduce them. On 24th July the Minister sought to have some 100 amendments from the House of Lords 'passed on the nod', after some negotiation with the Conservative spokesman, but John Pardoe, David Steel and Paul Tyler objected. Eventually, after the Speaker had suspended the sitting, the Leader of the House agreed that the Liberal objection was valid, and a proper debate took place next day.

## **3 The Trade Union and Labour Relations Bill**

The Liberal Party opposed the Industrial Relations Act of 1971 and therefore supported its repeal in principle. However, in the Second Reading debate (7.5.74) Cyril Smith made it clear that certain parts of the Industrial Relations Act, e.g. the Code of Practice and the Commission on Industrial Relations were worth retaining; 'We believe that the liberty of individual workers, of collective groups and of trade union branches must be protected by law. So too should the employer be protected against a small minority of people who seek not to improve but to destroy industrial relations. They are a small minority but they exist.' (Hansard 7.5.74).

In the Committee Stages Mr. Smith was the Liberal representative and he proposed five amendments to the Bill. The major Liberal amendment to the Bill which was ultimately carried gave the individual freedom to belong to any reasonable union of his choice.

## **4 The Prices Bill**

The Parliamentary Liberal Party opposed the Prices Bill because they could not support the massive expenditure on food subsidies or the abolition of the Pay Board without the introduction of an alternative policy. Referring to the Secretary of State for Prices and Consumer Protection (Mrs. Shirley Williams) Richard Wainwright, (who was the representative on the committee), said 'At vast public expense she is introducing a set of subsidies which will have only a minimal effect upon the cost of living. In fact they are designed to help not people but the index.' (Hansard 9.4.74) Mr. Wainwright attempted to amend the clause giving the Secretary of State the

power to regulate price increases where intervention was 'justified', this includes not only proposed increases but increases that had already been implemented. The government, however, secured a majority. Mr. Wainwright expressed the hope that the next time a statutory incomes policy was introduced, in his opinion within a year or two at the most, that the Government of the day would learn by the mistakes of the past and not separate the price control body from the pay control body.

## **5 The Health and Safety at Work Bill**

This bill was based on the Robens Report of 1972. In May 1973 the Rt. Hon. Jeremy Thorpe M.P. called upon the Conservative Government to legislate to give statutory effect to the basic obligations owed by an employer to his employees. Legislation was lost at the dissolution but re-introduced by the Labour Government. Liberals played an important part in debate on the bill. Cyril Smith M.P. took part in the debate and following his guidance the Liberals successfully carried an amendment which had been originally introduced by Lady Seear in the Lords. The Liberal Amendment was immensely important in that the House of Commons has now accepted the principle that all employees should be involved in electing their representatives. The Amendment required the safety Committees to be elected on a 'works council' basis. The Liberals were supported by the Tories and the amendment was carried by 4 votes. The Liberals then supported a Tory amendment which had the effect of retaining the responsibility for safety and health in the agricultural industry with the Ministry of Agriculture. This amendment was supported both by the N.F.U. and the Scots and Welsh as it preserved the status quo maintaining responsibility for agriculture regulations in Edinburgh and Cardiff in the Scottish and Welsh Offices.

## **6 The Finance Bill**

Against a background of accelerating inflation and a continued balance of payments crisis the Chancellor introduced his budget in March 1974 and announced that a further budget would be delivered later in the year—this finally came in June 1974. The March Budget was intended to be totally neutral but, with the addition of fiscal drag its overall effects were deflationary. Basic income tax was increased by 3p in the £ although tax allowances were also increased. V.A.T. was extended to soft drinks, confectionery and petrol (the latter required a separate motion) and food subsidies amounting to £380 millions were announced to be paid for by the increased employers National Insurance contributions. On the business side increases in coal, electricity and steel prices were announced as well as increases in freight and postal charges. An increase in corporation tax paid by small firms was announced together with plans for advanced corporation tax payments of £300 million. Tax relief on overdrafts was withdrawn and tax relief on investment income cut. These were severe blows to investment incentive. Finally a development tax on property was announced. Liberals basic misgivings with the Finance Bill were expressed on 9th May 1974 in a motion on the Second Reading on which they divided the House. 'This House declines to give a Second Reading to a Finance Bill which does nothing to stop a rate of inflation rising to a level which is a danger to democracy, fails to protect those on lower incomes who suffer most from inflation, and yet increases the danger of an unacceptable level of unemployment.'

In the vote on this motion, the Tories abstained and the Government won by 120 votes to 12.

Liberals also opposed the Second Reading of the Finance Bill, the Tories again abstaining.

In Committee John Pardoe held the balance of power and the Government was obliged to accept its minority position. Many amendments were pressed and withdrawn on the understanding that the Government would return with suitable changes at Report Stage,—thus reflecting the strength of the oppositions' position. One important Liberal amendment not called was designed to increase family allowances. This would have given the eldest child 90p per week and second and subsequent children 100p per week. Following the theme of the motion on the Second Reading of the Finance Bill this provision costing about £320 million would have been a much more effective way of helping families that really need help, than the wasteful £500 million proposed for food subsidies.

At a later stage in the passage of the Bill, considerable confusion was caused by Mr. Healey's threats that amendments to the Finance Bill 'should have the effect of calling into question the Budget judgement and this would seriously unbalance the relationship between revenue and expenditure on which I based the budget judgement four months ago' (Hansard 16th July 1974.) The facts are that: several amendments to the Bill were passed with Liberal support the net result of which was that £60 million was put back into the economy *not* the £500 million which Mr. Healey cited.

First: an amendment to ease the proposed new burden of corporation tax on small companies who are under severe liquidity pressure was supported by the Liberals. This cost the Exchequer £14 million.

Second: £4 million was returned to private pools which help local charities and football clubs.

Third: the largest amount involved in a Liberal amendment was to increase the level at which tax surcharge on investment income begins from £1,000 to £2,000 which was the original level before the budget. This amendment cost the Exchequer £40 million in lost revenue, but reduced the burdens borne by small savers particularly widows and pensioners.

At the most £60 million was returned to the tax-payer and considering that the overall 'budget judgement' has been in error ranging from £500 million to £1,000 million in recent years, the sum is trifling. Liberals supported the Government on Tory proposals to give a further £15 million to small companies and on a proposal to extend further relief to overdrafts. But neither Conservatives or Labour supported our proposal to restrict interest relief mortgages to higher income earners.

An important new clause proposed by John Pardoe was accepted by the Government and makes tax deductions allowable for structural alteration to hotels made mandatory under the Fire Precautions Act 1971.

Finally John Pardoe delivered some important speeches against the proposals to levy a 'Development Gains Tax'. The Conservatives were under considerable embarrassment since these clauses were those that Mr. Barber had proposed in December 1973 to attack 'property speculators'. John Pardoe showed how similar legislation, particularly the Town and Country Planning Act 1947 and Land Commission Act 1965 had failed in the past, and stated that the real solutions lay with Liberal Land Value Taxation.

## **7 Value Added Tax**

Liberals opposed the V.A.T. order (30.4.74) which extended value added taxation to sweets, crisps and petrol. The Liberal Party was extremely concerned about the part of the order relating to fuel oil costs. David Steel M.P. stressed the hardship the imposition of V.A.T. on petrol would cause in rural areas. The Liberal amendment to the order, which was not selected for debate, referred to the possibility of compensation for those living in rural areas particularly. As David Steel stated: 'Until the Government recognise that in such circumstances the cost of running a private car is unavoidable cost and is not a luxury, my Hon. Friends and I will continue to oppose tax increases of this kind.' (Hansard 30.4.74)

## **8 Rates**

Liberals opposed the Rate Support Grant Order for 1974-75 (25.3.74). Under this order the variable domestic rate relief element was replaced by a flat rate; causing a massively increased rate burden in certain areas of the country. Stephen Ross M.P. called for a new system of rating to replace the present form of local government finance. In the Rates debate (27.6.74) Richard Wainwright M.P. called upon the government to shoulder a much larger part of the cost of maintaining local services without removing the freedom of local management; 'The worsening situation is the result of the House having dodged for many years the essential problems of local government finance, failure to give the Redcliffe-Maude Commission a mandate to examine and report on local government finance, the even more astonishing failure of the Local Government Act 1972 to contain financial provisions and perhaps most reprehensible of all, the failure in Departments, in the Cabinet and in the House to give proper consideration to the structure and size of the rate support grant.' (Hansard 27.6.74) In division in March when the order was introduced 90 Tories were missing from the division lobby, however, following the rates debate of the 27th June they voted in strength and the Government was defeated.

## **9 Agriculture**

The Parliamentary Liberal Party has persistently called for urgent action to deal with the agricultural crisis. In the adjournment debate, initiated by the Tories the Government was accused of irresponsibility and a lack of long term planning to deal with the crisis. Emlyn Hooson M.P. in his speech (8.5.74) cited the failure of the Conservative Government as well as the new Government in causing the crisis. During the debate (26.6.74) Mr. Hooson, whilst welcoming the long-term package and the amendments proposed to Brussels by the government, deplored the lack of immediate help for farmers; 'The glib and sanguine nature of the approach of the House to the enormous crisis in agriculture makes one despair. I ask the Minister to consider with his Cabinet colleagues whether it is possible to help the liquidity situation by advance payments of the hill-cow subsidy, the beef subsidy, the sheep subsidy and the calf subsidy so that the farmers may get the money into their hands at an earlier stage. That would be some contribution to what is the real and not the artificial crisis in agriculture.' (Hansard 26.6.74)

## **PARLIAMENTARY MOTIONS**

During the present parliament Liberal M.P.s have tabled a total of 12 motions and signed many all party motions.

Liberal motions include the following:—

- 1 Deploing the U.K. expenditure on Concorde and the prospect of indefinite subsidies for a project which will be of no benefit to the poor of the world.
- 2 Regretting the refusal of the Secretary of State for the Environment to take action to secure the identification and control of the growth of second homes in areas where their increase is both reducing the chances of a home for many local people and causing extensive social and economic problems for the community.
- 3 Calling upon the Chancellor of the Exchequer to institute a full inquiry into the incidence of V.A.T. on charities, with a special subsidiary objective of a clarification of the tax position of those charitable institutions like the National Federation of Women's Institutes which do not exist solely to provide services to their individual members.
- 4 Calling upon the Government to have an emergency review of the farm situation particularly with regard to beef, pig meat and milk and to put before the House urgent proposals to alleviate the financial distress amongst livestock farmers.

## VOTING STATISTICS

### Conservative Government

In the 1970-74 Conservative Parliament there were 1,066 official divisions. Liberals voted as follows:—

	With the Government	Against the Government
Rt. Hon. J Grimond	120	266
Emlyn Hooson	102	309
Russell Johnston	105	169
John Pardoe	132	299
David Steel	197	364
Rt. Hon. Jeremy Thorpe	130	226
David Austick (possible 62 divisions)	7	33
Clement Freud (possible 62 divisions)	2	23
Cyril Smith (possible 269 divisions)	18	82
Graham Tope (possible 239 divisions)	25	132
Alan Beith (possible 40 divisions)	4	28

## Labour Government

In the Session March-June 1974 there were 46 official divisions. Liberals voted as follows:—

	With the Government	Against the Government
Rt. Hon. Jo Grimond	3	22
Emlyn Hooson	5	24
Russell Johnston	4	20
John Pardoe	5	23
David Steel	4	22
Rt. Hon. Jeremy Thorpe	4	12
Clement Freud	4	17
Cyril Smith	3	18
Alan Beith	5	22
Geraint Howells	5	25
Stephen Ross	2	27
Richard Wainwright	1	25
Michael Winstanley	1	25
Paul Tyler	6	25

## Conclusions

Liberals are accused by the Conservative and Labour Parties of opportunism in seeking to appear all things to all men. The Liberals do not automatically support either of the two major parties in division. A detailed appraisal of each situation shows that Liberals voted only after a balanced consideration of the legislation at hand. They have not simply recorded their votes in mindless and automated responses of approval or hostility.

In many instances particularly when Liberal amendments are not called Liberals are left with the prospect of supporting one of two alternatives; both of which are inadequate. Such is the nature of the two-party structure of parliamentary business that very little time is allowed for the expression of a third viewpoint.

## 2 HOUSE OF LORDS

The Liberal team of Peers in the House of Lords is led by Lord Byers. Liberal representation has been increased to 37. In May 1974 three Liberal life peers took their seats, Lady Robson, Lord Wigoder and Lord Mackie. Lord Hampton who succeeded his father at the beginning of the year joined the Liberal ranks in June. Amongst the most important debates initiated by Liberal Peers are the following:—

- 1 A debate on Safety and Health at Work was initiated by Lord Avebury (30.1.73). This followed the recommendations of the Robens Report. In summing up Lord Avebury said 'We have some clear and practical policies recommended by the Robens Committee, which should lay a foundation that will last for the remainder of this century, adapting the rules within a simple framework to protect the worker and the general public.'
- 2 Lord Tanlaw initiated a debate on Energy Policy and World Supplies (28.2.74) Lord Tanlaw called upon the Government to formulate a National Energy Plan in relation to the increasing inadequacy of world energy.



- 3 Lord Byers initiated a debate on (6.6.73) the recommendations of the Younger Committee on Privacy on which he had served. Lord Byers called for legislation to give further protection to the individual citizen against intrusions into privacy by private persons and organizations.
- 4 Lord Wade initiated a debate on Electoral Reform (26.3.74). Lord Wade called upon the Government to change the electoral system so that the numbers of seats obtained at General Elections and at Local Government Elections reflect more accurately the number of votes cast for each party respectively.
- 5 Viscount Norwich initiated a debate calling upon the Government to make an official declaration that as a point of principle they would never negotiate with those who use the threat of violence for political or financial ends. (18.6.74).
- 6 Viscount Thurso initiated a debate on Scottish Transport (19.6.74) Viscount Thurso called for the improvement of and future planning for an integrated transport system in Scotland especially at a time when Scotland stands on the brink of a new era in history.

## **MAJOR BILLS INTRODUCED**

### **Anti-Discrimination (now Sex-Discrimination) Bill**

This Bill was introduced by Baroness Seear in November 1972. The Bill sought to make illegal and provide for the prevention of discrimination on the grounds of sex and to establish an Anti-Discrimination Board. During the Report Stage of the Bill (29.6.73) Baroness Seear said: 'I believe that when legislation on sex discrimination comes into being it will be effective to the extent that public opinion has accepted that such legislation is necessary. Persuasion and voluntary action are, I agree far more important than powers of enforcement. But at the same time I believe that there must be legislative powers in the background'. (See Chapter 13.)

### **Immigration Act 1971 (Amendment) Bill**

This Bill sought to remove the element of retrospection in the 1971 Act. Lord Avebury introduced the bill on three occasions; the first reading of the bill during this session was on March 13th 1974. The bill was withdrawn after action by the Home Secretary made its future progress unnecessary. (See Immigration and Race Relations Chapter).

### **Spouses (Equal Treatment) Bill**

Lord Avebury introduced this bill which had its first reading on June 13th 1974. The bill sought to give the foreign husbands of British women the same status as applies to British men. This bill was also withdrawn after action by the Home Secretary. (See Chapter on Immigration and Race Relations).

Liberal Peers played an important role in amending many important pieces of legislation including the Housing Finance Bill, the Rent Bill, the Health and Safety at Work Bill and the Trade Union and Labour Relations Bill.

## **EUROPEAN PARLIAMENT**

### **British Liberal Activity**

The two British Liberal members of the European Parliament are Russell Johnston M.P. and Lord Gladwyn. During the 12 plenary sessions of the

1973 Parliament and the 10 plenary sessions so far this year they made 24 major speeches, asked 8 oral questions and 20 written questions.

The major policy speeches were made on the following subjects:

Regional Policy (5)	Energy Crisis
Defence	Political Co-operation (2)
The Middle East	European Security Conference
The Economic Situation	The Copenhagen Summit Meeting
Political Union	European Security
Relations with the United States	European Integration and the Future of
European Union (3)	the European Parliament
Summit Conference	State of the European Community

At the Parliament, Members sit according to political affiliation rather than nationality, hence Russell Johnston and Lord Gladwyn sit with Liberal colleagues from eight out of the nine member states. (There being no Irish Liberal Party). There are six major European Groups, and the Liberals comprise the third largest of these Groups.

(In order)

Christian Democrats  
Socialists  
Liberals  
European Conservatives  
European Progressive Democrats  
Communists

Russell Johnston is a Vice President of the European Liberal Group and is the Liberal Spokesman for Regional Policy. There are no official Division records for the Parliament except by chance for the Regional Committee. On this Russell Johnston had a 72% attendance record last year and was 5th out of 27.

Lord Gladwyn is the Liberal Spokesman on defence and foreign policy. He serves on the Political Affairs Committee of the European Parliament.

As the E.E.C. develops and its policies come to effect the individual citizen in a far greater way than has hitherto been the case, so the importance of representation at a European level increases proportionally.

Adhesion to the Treaty of Rome has inevitably meant a certain diminution of power at a national level, and this can only be balanced by an increase of representation at a supra-national level. Liberals have pressed for direct elections to a European Parliament with increased powers. But the first task has been to maximise those powers which the existing institution has, owing to the fact that immediately prior to enlargement the Parliament had become somewhat stale.

# Pathways to Power

